



State of Michigan

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2011

RICK SNYDER, CPA
Governor

JOHN E. NIXON, CPA
State Budget Director

MICHAEL J. MOODY, CPA
Director
Office of Financial Management

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RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

JOHN E. NIXON, CPA
DIRECTOR

March 9, 2012

The Honorable Rick Snyder, Governor
Members of the Legislature
People of the State of Michigan

As required by Article 9, Section 21, of the State Constitution and Section 494, Public Act 431 of 1984, as amended, we are pleased to submit the *State of Michigan Comprehensive Annual Financial Report* (SOMCAFR) for the fiscal year ended September 30, 2011.

INTRODUCTION TO THE REPORT

Responsibility: The State Budget Office, Office of Financial Management, prepares the SOMCAFR and is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including disclosures. To the best of our knowledge and belief, the information contained in the SOMCAFR is accurate in all material respects and reported in a manner that fairly presents the financial position and results of operations of the State primary government and component units for which it is financially accountable. All disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial affairs have been included.

Adherence to Generally Accepted Accounting Principles: As required by State statute, we have prepared the financial statements contained in the SOMCAFR in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). The State also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports, and participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting.

Report: The SOMCAFR is divided into four major sections: introductory, financial, statistical, and other information:

- The introductory section includes this letter, the State's organization chart, and the list of principal officials.
- The financial section includes: the independent auditor's report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) which provides an introduction, overview, and analysis to the Basic Financial Statements; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with footnotes to the Basic Financial Statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules and information about infrastructure assets; and the supplemental financial data which includes the combining financial statements and schedules.
- The statistical section includes such items as trend information, information on debt levels, and other selected economic and statistical data.
- The other information section includes General Fund and Special Revenue Funds revenue and expenditure schedules and General Fund source and disposition of spending authorization schedules.

Internal Control Structure: The State Budget Office is responsible for the overall operation of the State's central accounting system and for establishing and maintaining the State's internal control structure. The system of internal control has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

All financial transactions of the State primary government are recorded in the central accounting system, except for the Michigan Unemployment Compensation Funds, Attorney Discipline System, the State of Michigan Deferred Compensation Funds, the State of Michigan Defined Contribution Retirement Fund, and the Michigan Education Savings Program. Many of the essential control features are decentralized, such as the preparation and entry of expenditure transactions into the central accounting system. Consequently, the State Budget Office relies upon the controls in place at the various State departments and agencies.

Act 431 requires each principal department to maintain adequate internal control systems. Each department is also required to periodically report to the Governor on the adequacy of its internal accounting and administrative control systems and, if any material weaknesses exist, provide corrective action plans and time schedules for addressing such weaknesses. This reporting is required on or before May 1 of each odd numbered year, effective as of the preceding October 1.

The discretely presented component units generally operate outside the State's central accounting system and are responsible for establishing and maintaining their own separate internal control structures.

Internal Auditors: Pursuant to Executive Order 2007-31, the Office of Internal Audit Services (OIAS) provides internal audit services to executive branch departments and agencies. OIAS performs periodic financial, performance, and compliance audits of department and agency programs and organizational units. In addition to periodic audits, OIAS also reviews department and agency management's processes for establishing, monitoring, and reporting on internal controls; advises department and agency management on internal control matters; and assists department and agency management with investigations of alleged fraud or other irregularities.

Independent Auditors: The Office of the Auditor General (OAG) is the principal auditor of the SOMCAFR. The OAG also relies on the opinions of outside public accounting firms, particularly for component unit financial statements (such as the Michigan State Housing Development Authority and ten of the State's universities) and the Unemployment Compensation funds. The purpose of the OAG's audit is to provide reasonable assurance that the Basic Financial Statements for the fiscal year ended September 30, 2011 are free of material misstatements. The OAG concluded that the Basic Financial Statements for the fiscal year ended September 30, 2011 are fairly presented in accordance with GAAP and issued unqualified opinions.

In addition to the annual audit of the SOMCAFR, the OAG also performs periodic financial statement and performance audits of the various State departments, agencies, and institutions of higher education. The Auditor General also has primary responsibility for conducting audits under the federal Single Audit Act Amendments of 1996. Pursuant to Michigan Public Act 251 of 1986, these audits are conducted biennially for applicable State departments, agencies and component unit authorities, and result in separately issued audit reports.

Management's Discussion and Analysis (MD&A): GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A immediately follows the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

Michigan was admitted to the Union as the 26th state in 1837. The State is governed under the Constitution of 1963, as amended.

Executive Branch: As of September 30, 2011, the Executive Branch consisted of 16 principal departments. Thirteen principal departments are headed by commissions and/or directors appointed by the elected governor. Elected officials head two principal departments, Attorney General and State, and one, Education, is headed by an elected board.

Judicial Branch: The Judicial Branch consists of the Supreme Court, Court of Appeals, Court of Claims, and the State's circuit, district, probate, and municipal courts. In addition to its judicial duties, the Supreme Court is responsible for the general administrative supervision of all courts in the State. The Supreme Court also establishes rules for practice and procedure in all courts.

Legislative Branch: The Legislative Branch consists of the Senate, House of Representatives, and Office of the Auditor General. The Senate, which consists of 38 elected members, and House of Representatives, which consists of 110 elected members, enact the laws of Michigan. The Office of the Auditor General conducts post financial and performance audits of state government operations.

Reporting Entity: The financial reporting entity of the State includes all of the funds of the primary government as well as component units for which the State's elected officials are financially accountable. The transmittal letter, MD&A, and the financial

statements focus on the primary government and its activities. Although information pertaining to the component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

Budgetary Reporting and Control: For the State primary government operating funds (i.e., the General Fund and annually appropriated special revenue, capital projects, and permanent funds), the State budget projects revenues and expenditures and calculates fund balances for budgetary purposes in accordance with GAAP. Public Act 431 of 1984, as amended, prohibits the State from budgeting for an ending fund balance deficit in an operating fund. If an actual deficit is incurred, the Constitution and Act 431 require that it be addressed in the subsequent year's budget. If accounting principles change, Act 431 requires the State to also implement such changes in its budgetary process.

Compliance with the final updated budget for the annually budgeted operating funds of the State primary government is demonstrated in the budget and actual comparative schedules and notes in the SOMCAFR. In addition, subsequent to the publication of the SOMCAFR, the State releases a Statewide Authorization Dispositions report that provides line item appropriation details, the legal level of budgetary control, for the General Fund and budgeted operating funds.

MAJOR INITIATIVES AND FUTURE PROJECTS

Economic Growth: Creating more and better jobs is the top priority of the Snyder administration. Toward that end, the Snyder administration worked with the Legislature to repeal the Michigan Business Tax and replace it with a corporate income tax that is simpler, fairer, and more efficient. In addition, the administration has improved coordination and reduced redundancy between the Michigan Economic Development Corporation and regional economic development groups; placed more emphasis on building businesses that are already located in Michigan; and launched Pure Michigan Business Connect, which will make \$8 billion of investment and capital available to promote growth in Michigan businesses.

Fiscal Stability: Governor Snyder is committed to putting Michigan's fiscal house in order. For fiscal year 2012, the Governor and the Legislature enacted a balanced budget that eliminates Michigan's structural deficit, resulting in Fitch upgrading Michigan's credit outlook to positive. The fiscal year 2012 budget includes a deposit of \$255 million into the state's Budget Stabilization Fund (or Rainy Day Fund) – the first significant deposit in more than a decade. It also includes more than \$400 million to begin to pay down unfunded long-term liabilities.

The Snyder administration has also asked the Legislature to conduct hearings on bills that will create a stable and sustainable funding source that is sufficient to improve and maintain Michigan's roads, bridges, and other infrastructure.

Transparency and Accountability: Governor Snyder's commitment to government transparency and accountability includes the creation of Open Michigan, available online at www.michigan.gov/openmichigan. Open Michigan includes performance management information which consists of the Michigan Dashboard, as well as dashboards specific to education, health and wellness, infrastructure, talent, and financial health. These dashboards allow citizens to easily gauge the state's progress across a number of key performance indicators.

Open Michigan also includes spending and accountability information that provides a one-stop resource showing how the state manages and spends taxpayer dollars.

The spotlight cast by Open Michigan will require that elected officials and state leaders continually evaluate the efficiency and effectiveness of programs to determine if they are delivering the desired results. Further, it will be an honest representation of where Michigan stands relative to national benchmarks, identifying strengths, but also illuminating areas where improvement is needed.

AWARDS AND ACKNOWLEDGEMENTS

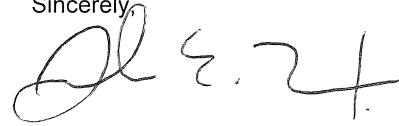
Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Michigan for its SOMCAFR for the year ended September 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose content satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State has received a Certificate of Achievement for 24 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments: The preparation of this report requires the collective efforts of the management and staff of the Accounting and Financial Reporting Division, Office of Financial Management; the Office of Internal Audit Services; the chief financial officers, chief accountants, and their staffs from all State agencies; and the management and staff of the Office of the Auditor General. We

sincerely appreciate the dedicated efforts of all of these individuals that have allowed Michigan to maintain its position as a national leader in quality and efficiency for financial reporting.

Sincerely,



John E. Nixon, CPA
State Budget Director



Michael J. Moody, CPA
Director, Office of Financial Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

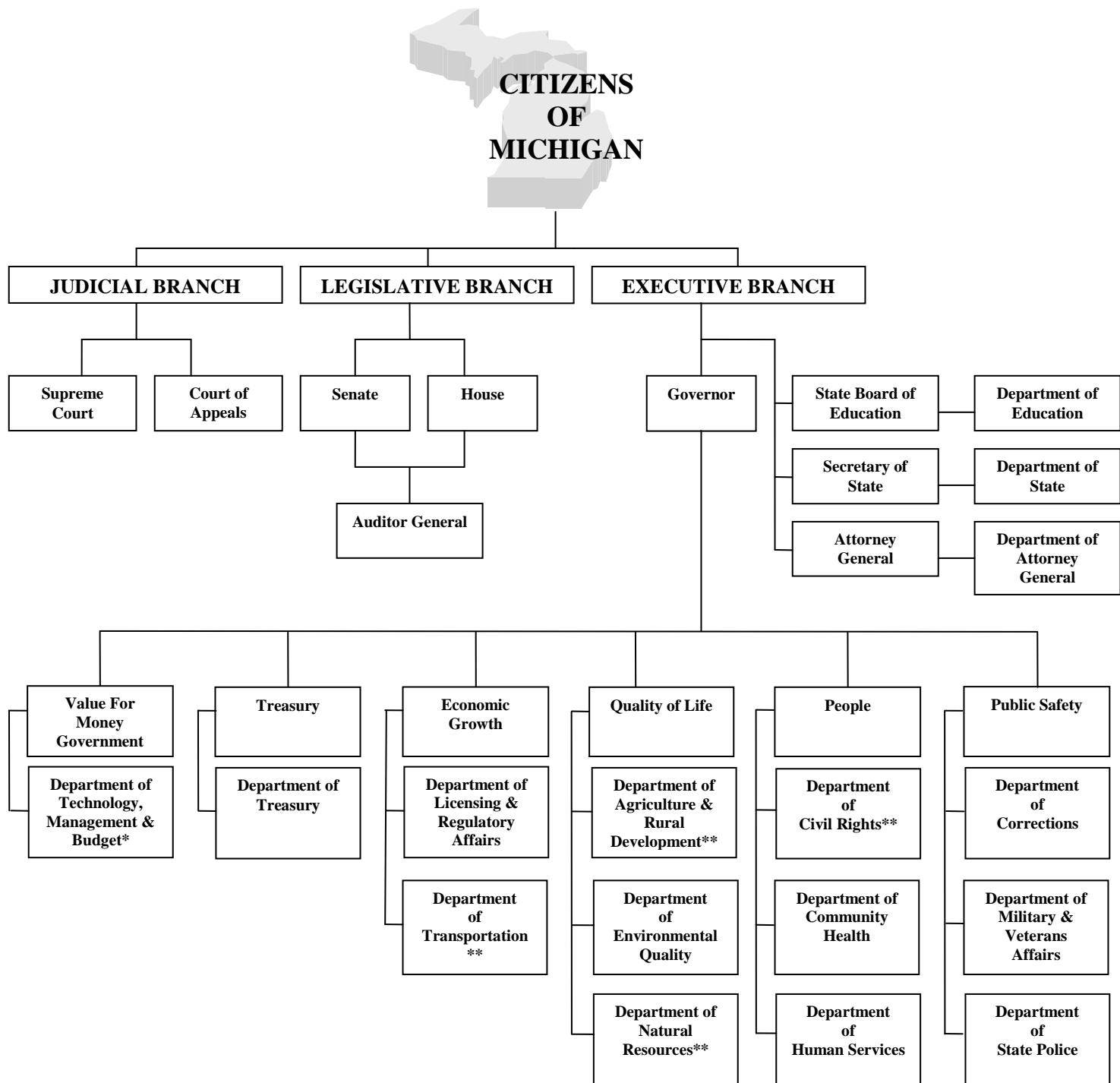
President

Jeffrey P. Emer

Executive Director

STATE OF MICHIGAN ORGANIZATIONAL STRUCTURE

(As of September 30, 2011)



* Includes Civil Service Commission appointed by Governor

** Has Commission appointed by Governor, confirmed by Senate

STATE OF MICHIGAN

PRINCIPAL STATE OFFICIALS
(As of September 30, 2011)

JUDICIAL BRANCH

Supreme Court Justices
Honorable Robert P. Young, Jr., Chief Justice
Honorable Michael F. Cavanagh, Justice
Honorable Diane Marie Hathaway, Justice
Honorable Mary Beth Kelly, Justice
Honorable Stephen J. Markman, Justice
Honorable Marilyn Kelly, Justice
Honorable Brian K. Zahra, Justice

LEGISLATIVE BRANCH

Honorable Randy Richardville
Majority Leader of the Senate

Honorable Jase Bolger
Speaker of the House of Representatives

Thomas H. McTavish
Legislative Auditor General

EXECUTIVE BRANCH

Honorable Rick Snyder, Governor
Honorable Brian Calley, Lt. Governor
Honorable Bill Schuette, Attorney General
Honorable Ruth Johnson, Secretary of State

Group Executives

John E. Nixon, Value for Money Government
Andy Dillon, Treasury
Michael A. Finney, Economic Growth
Dan Wyant, Quality of Life
Maura D. Corrigan, People
Major General Gregory J. Vadnais, Public Safety

Daniel H. Heyns, Director
Department of Corrections

Dan Wyant, Director
Department of Environmental Quality

Maura D. Corrigan, Director
Department of Human Services

Steven H. Hilfinger, Director
Department of Licensing and Regulatory Affairs

Major General Gregory J. Vadnais, Director
Department of Military and Veterans Affairs

Natural Resources Commission
Tim Nichols, Chair
Mary C. Brown
Hurley J. Coleman, Jr.
John Madigan
John Matonich
J. R. Richardson
Franklin C. Wheatlake
Rodney Stokes, Director
Department of Natural Resources

Colonel Kriste Etue, Director
Department of State Police

John E. Nixon, State Budget Director and Director,
Department of Technology, Management & Budget

Transportation Commission
Jerrold M. Jung, Chair
Linda Miller Atkinson
Charles F. Moser
James S. Scalici
Ted B. Wahby
Todd Wyett

Kirk T. Steudle, Director
Department of Transportation

Andy Dillon
State Treasurer

State Board of Education

John C. Austin, President
Nancy Danhof
Marianne Yared McGuire
Kathleen N. Straus
Casandra E. Ulbrich
Daniel Varner
Eileen Weiser
Richard Zeile
Honorable Rick Snyder (Ex Officio)
Michael P. Flanagan
Superintendent of Public Instruction

Michigan Commission of Agriculture & Rural Development

Donald Coe, Chair
Jennifer Fike
Velmar Green
Diane Hanson
Bob Kennedy
Keith Creagh, Director, Department of Agriculture & Rural Development

Civil Rights Commission

Matthew Wesaw, Chair
Nabih H. Ayad
Mark Bernstein
Stephanie A. Comai
Bertram Marks
Lisa Peebles-Hurst
Jared Rodriguez
J. Michael Zelley
Daniel Krichbaum, Director, Department of Civil Rights

Civil Service Commission

Thomas M. Wardrop, Chair
James Barrett
Charles Blockett, Jr.
Robert W. Swanson
Jeremy S. Stephens, State Personnel Director

Olga Dazzo, Director
Department of Community Health



II. FINANCIAL SECTION

**INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION**



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
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THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Rick Snyder, Governor
Members of the Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan, principally as of and for the year ended September 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the State Lottery Fund, Michigan Unemployment Compensation Funds, Michigan Employment Security Act — Administration Fund, State Building Authority — Debt Service Fund, State Building Authority — Capital Projects Fund, Attorney Discipline System, State Sponsored Group Insurance Fund, Michigan Education Savings Program, Michigan State Housing Development Authority, Mackinac Bridge Authority, Mackinac Island State Park Commission, State Bar of Michigan, Central Michigan University, Western Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University. Those financial statements reflect total assets and revenues or additions of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as follows:

| Opinion Unit | Percent of Total Assets | Percent of Total Revenues/Additions |
|--|-------------------------|-------------------------------------|
| Governmental activities | 1.5% | 1.9% |
| Business-type activities | 98.0% | 89.4% |
| Aggregate discretely presented component units | 47.3% | 79.8% |
| State Lottery Fund | 100.0% | 100.0% |
| Michigan Unemployment Compensation Funds | 100.0% | 100.0% |
| Aggregate remaining fund information | 4.8% | 13.7% |

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these component units and funds, are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of other auditors provide a reasonable basis for our opinions.



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL

THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

The Honorable Rick Snyder, Governor
Members of the Legislature
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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan, as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the basic financial statements, the State adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As discussed in Notes 6 and 23 to the basic financial statements, the State of Michigan replaced its Single Business Tax with the Michigan Business Tax. The State could not fully estimate the amount of future collections and refunds related to the Michigan Business Tax because the necessary data was not available.

The management's discussion and analysis on pages 17 through 26, budgetary comparison schedules and corresponding notes on pages 118 through 121, and information about infrastructure assets reported using the modified approach on pages 122 and 123 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Michigan's basic financial statements. The combining and individual fund statements and schedules — non-major funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, statistical, and other information sections listed in the table of contents have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General
March 9, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Michigan's (the State's) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide

- At September 30, 2011, the State's assets exceeded its liabilities by \$13.2 billion.
- The State's unrestricted net assets were negative \$8.2 billion as of the close of the year. A positive balance in unrestricted net assets represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.
- Revenues of \$55.8 billion supported expenses of \$54.2 billion during fiscal year 2011. As a result, the State's total net assets increased by \$1.6 billion (13.4 percent). The increase in net assets relates mostly to increased revenues from rising personal income and increased sales. Taxes generated from sales and use tax increased \$538.5 million in fiscal year 2011 relative to the prior year while personal income tax revenue increased \$1.1 billion.

Fund Level

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$5.0 billion. Governmental fund balances increased \$1.4 billion (39.7 percent) from the prior year.
- The State's two major governmental funds, the General Fund and the School Aid Fund, closed the fiscal year with a combined fund balance of \$2.5 billion, an increase of \$1.2 billion (90.0 percent) from the prior year. Of the total General Fund balance of \$1.7 billion, \$553.7 million is unassigned and, therefore, available for appropriation in future years. The remaining \$1.1 billion is either non-spendable (e.g., consists of assets not easily converted to cash, such as inventories); restricted for specific purposes by enabling legislation; committed to specific programs or projects by legislative action; or assigned to fulfill contractual obligations. In the School Aid Fund, the entire fund balance of \$753.6 million is restricted for education purposes.
- The State's proprietary funds reported net assets at year-end of negative \$2.8 billion. This represents an increase of \$238.7 million (7.9 percent) compared to the prior year-end, primarily resulting from a decrease in unemployment benefits paid by the Michigan Unemployment Compensation Funds.

Long-term Debt

- The State's total long-term bonded debt as of September 30, 2011 was \$7.3 billion, an increase of \$268.6 million from the prior year. The increase represents the net difference between new issuances, payments, and refundings of debt.

More detailed information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 20.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Statements (Reporting the State as a Whole)

The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the State, as a whole, and about its activities that should help answer this question: How has the State's financial position, as a whole, changed as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets (pages 28 and 29) presents all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets measure whether the State's financial position is improving or declining.

Michigan

The Statement of Activities (pages 30 and 31) presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within governmental activities.
- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Lottery tickets, liquor purchases, and the State's unemployment compensation services are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 11 authorities and 10 universities that are reported as discretely presented component units of the State.

This report includes two schedules (pages 35 and 37) that reconcile the amounts reported on the governmental fund financial statements, which are prepared using the modified accrual basis of accounting, with the governmental activities in the government-wide statements, which are prepared using the accrual basis of accounting. The following table summarizes the differences between modified accrual and full accrual accounting:

| Description | Reported in Governmental Fund Financial Statements (modified accrual basis) | Reported in Government-Wide Financial Statements (accrual basis) |
|---|--|---|
| Capital assets of the general government (e.g. land, buildings, and infrastructure) | No | Yes |
| Liability for earned but deferred revenue | Yes | No |
| Assets and liabilities of internal service funds that primarily serve governmental funds | No | Yes |
| Net pension assets in excess of the annual required contribution | No | Yes |
| Deferred charges for debt issuance costs | No | Yes |
| Unmatured long-term debt (e.g. bonds, notes, capital lease obligations) net of unamortized premiums, discounts, and similar items | No | Yes |
| Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period (i.e. claims and judgments, compensated absences, and net pension obligations) | No | Yes |
| Accrued interest on long-term debt | No | Yes |
| Liability for unearned deferred revenue | Yes | Yes |
| Capital outlay spending | Yes | No |
| Debt service principal payments and refunding payments | Yes | No |
| Other financial sources, uses, and expenditures resulting from debt issuance | Yes | No |

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| Description | Reported in Governmental Fund Financial Statements (modified accrual basis) | Reported in Government-Wide Financial Statements (accrual basis) |
|---|---|--|
| Sales of capital assets | Yes, in the amount of the proceeds of the sale | Yes, gain or loss on the sale |
| Revenues earned during the period but not yet available | No | Yes |
| Expenses incurred during the period, but not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period | No | Yes |
| Depreciation | No | Yes |
| Revenues and expenditures related to prior periods | Yes | No |
| Amortization of issuance costs, premiums, discounts, and similar items | No | Yes |
| Activities of internal service funds properly included within governmental activities | No | Yes |

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 55 of this report.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on page 34 and provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, page 126 begins the individual fund data for the non-major funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches.

- *Governmental funds* - Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- *Proprietary funds* - When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary (enterprise and internal service) funds utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs - such as risk management and state sponsored group insurance activities. Internal service funds are reported as governmental activities on the government-wide statements.
- *Fiduciary funds* - The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 46. These funds, which include pension (and other employee benefit), private-purpose, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Additional Required Supplementary Information (RSI)

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules

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reconciling the statutory and generally accepted accounting principles fund balances at fiscal year-end, and condition and maintenance data regarding certain portions of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds, and non-major discretely presented component units. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The State's combined net assets increased \$1.6 billion (13.4 percent) over the course of this fiscal year's operations. The net assets of the governmental activities increased \$1.3 billion (9.0 percent) and business-type activities had an increase of \$238.7 million (7.9 percent).

Statement of Net Assets
For Fiscal Year Ending September 30
(In Millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-------------------|--------------------------|---------------------|-------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other non-current assets | \$12,218.5 | \$10,261.0 | \$ 915.9 | \$ 1,270.3 | \$13,134.4 | \$11,531.4 |
| Capital assets | 21,485.8 | 20,719.6 | .6 | .6 | 21,486.4 | 20,720.2 |
| Total assets | 33,704.3 | 30,980.6 | 916.5 | 1,271.0 | 34,620.8 | 32,251.5 |
| Current liabilities | 5,499.1 | 5,408.1 | 217.0 | 235.1 | 5,716.0 | 5,643.2 |
| Long-term liabilities | 12,196.7 | 10,881.9 | 3,478.7 | 4,053.7 | 15,675.4 | 14,935.6 |
| Total liabilities | 17,695.8 | 16,290.0 | 3,695.6 | 4,288.8 | 21,391.5 | 20,578.8 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 17,782.1 | 16,859.1 | .6 | .6 | 17,782.7 | 16,859.7 |
| Restricted | 3,552.1 | 2,691.5 | 131.5 | 145.1 | 3,683.5 | 2,836.5 |
| Unrestricted | (5,325.6) | (4,860.0) | (2,911.2) | (3,163.5) | (8,236.8) | (8,023.5) |
| Total net assets | \$16,008.5 | \$14,690.5 | \$ (2,779.1) | \$ (3,017.8) | \$13,229.4 | \$11,672.7 |

The largest component of the State's net assets, at \$17.8 billion, reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising \$3.7 billion of the total. These represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation limiting how they can be used. The State's unrestricted net assets were negative \$8.2 billion as of the close of the year. A positive balance in unrestricted net assets represents excess assets available to meet ongoing obligations. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable.

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The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

| Changes in Net Assets For Fiscal Year Ending September 30 (In Millions) | | | | | | |
|---|----------------------------|--------------------|-----------------------------|---------------------|-----------------------------|--------------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 1,762.0 | \$ 1,808.4 | \$ 7,616.3 | \$ 9,177.6 | \$ 9,378.3 | \$ 10,986.0 |
| Operating grants | 19,609.0 | 19,150.0 | 172.0 | 80.0 | 19,781.0 | 19,230.0 |
| Capital grants | 1,061.7 | 964.6 | - | - | 1,061.7 | 964.6 |
| General revenues | | | | | | |
| General taxes | 12,313.1 | 10,907.9 | 14.9 | 14.1 | 12,328.0 | 10,922.0 |
| Taxes restricted for educational purposes | 10,622.5 | 10,020.2 | - | - | 10,622.5 | 10,020.2 |
| Taxes restricted for transportation purposes | 1,914.9 | 1,880.8 | - | - | 1,914.9 | 1,880.8 |
| Unrestricted investment and interest earnings | .7 | 1.5 | .2 | 0.3 | .9 | 1.7 |
| Miscellaneous | 648.3 | 495.6 | .6 | - | 648.9 | 495.6 |
| Total revenues | 47,932.2 | 45,229.0 | 7,804.1 | 9,272.0 | 55,736.2 | 54,500.9 |
| Expenses | | | | | | |
| General government | 2,286.4 | 1,752.5 | - | - | 2,286.4 | 1,752.5 |
| Education | 15,269.6 | 14,990.0 | - | - | 15,269.6 | 14,990.0 |
| Human Services | 6,423.3 | 6,136.9 | - | - | 6,423.3 | 6,136.9 |
| Public safety and corrections | 2,863.9 | 2,859.3 | - | - | 2,863.9 | 2,859.3 |
| Conservation, environment, etc. | 575.1 | 578.0 | - | - | 575.1 | 578.0 |
| Labor, commerce, and regulatory | 1,179.0 | 1,261.9 | - | - | 1,179.0 | 1,261.9 |
| Health services | 13,917.2 | 13,250.2 | - | - | 13,917.2 | 13,250.2 |
| Transportation | 2,460.6 | 2,947.8 | - | - | 2,460.6 | 2,947.8 |
| Tax credits | 1,271.9 | 1,351.5 | - | - | 1,271.9 | 1,351.5 |
| Intergovernmental – revenue sharing | 1,091.5 | 994.2 | - | - | 1,091.5 | 994.2 |
| Interest on long-term debt | 217.0 | 362.6 | - | - | 217.0 | 362.6 |
| Liquor Purchase | | | | | | |
| Revolving Fund | - | - | 660.9 | 634.9 | 660.9 | 634.9 |
| State Lottery Fund | - | - | 1,631.5 | 1,677.0 | 1,631.5 | 1,677.0 |
| Attorney Discipline System | - | - | 4.9 | 4.7 | 4.9 | 4.7 |
| Michigan Unemployment Compensation Funds | - | - | 4,350.1 | 6,803.4 | 4,350.1 | 6,803.4 |
| Total expenses | 47,555.6 | 46,484.9 | 6,647.5 | 9,120.0 | 54,203.1 | 55,604.9 |
| Excess (deficiency) Before Contributions and Transfers | 376.6 | (1,255.9) | 1,156.6 | 151.9 | 1,533.1 | (1,104.0) |
| Contributions to permanent fund principal | 28.8 | 101.6 | - | - | 28.8 | 101.6 |
| Transfers | 918.0 | 882.3 | (918.0) | (882.3) | - | - |
| Increase (decrease) in net assets | 1,323.3 | (272.0) | 238.7 | (730.4) | 1,562.0 | (1,002.4) |
| Net assets – beginning (restated) | 14,685.2 | 14,962.6 | (3,017.8) | (2,287.4) | 11,667.4 | 12,675.1 |
| Net assets – ending | \$ 16,008.5 | \$ 14,690.5 | \$ (2,779.1) | \$ (3,017.8) | \$ 13,229.4 | \$ 11,672.7 |

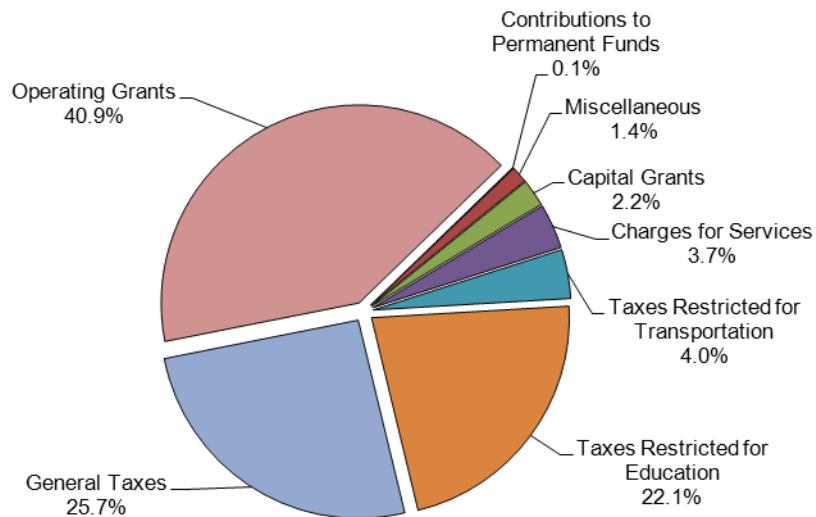
Michigan

Governmental Activities

Revenues to fund governmental activities totaled \$48.0 billion for fiscal year 2011. As shown in the accompanying chart, 40.9 percent of the governmental activities' revenue came from operating grants, primarily from the federal government, and were earmarked for specific uses, such as highway construction and health and human services programs. In addition, the State Constitution and other statutory restrictions earmarked 26.1 percent for educational and transportation purposes. Only 25.7 percent of the revenues were available for general use.

**Revenues - Governmental Activities for
Fiscal Year Ending September 30, 2011**

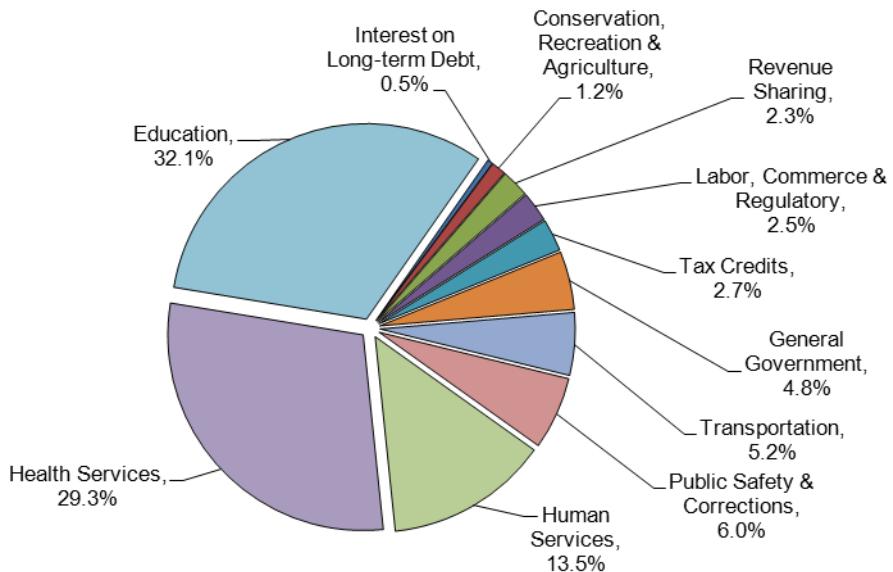
(\$48.0 billion)



Expenses related to governmental activities totaled \$47.6 billion during fiscal year 2011. The expenses include spending appropriated in prior years, such as capital outlay and work project authorization. As evidenced by the accompanying chart, education and health services represent the governmental activities' largest spending categories, accounting for 61.4 percent of the spending.

**Expenses - Governmental Activities for
Fiscal Year Ending September 30, 2011**

(\$47.6 billion)



Business-type Activities

The business-type activities' net assets increased \$238.7 million (7.9 percent) during the fiscal year. Factors contributing to these results included:

- The Michigan Unemployment Compensation Funds finished the fiscal year with an increase in net assets of \$222.2 million (7.3 percent). The increase can be attributed to a decrease in unemployment benefits paid. Michigan also received a Federal Unemployment Tax Act (FUTA) credit of \$144.0 million that was used to pay down federal unemployment loans.
- The State Lottery Fund's net assets increased \$16.2 million (113.7 percent). The increase in net assets is attributable to the changes in the market value of investments that the Lottery holds to fund future payments due on lottery prizes.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As the State completed the year, its governmental funds reported fund balances of \$5.0 billion. Of this amount, \$553.7 million constitutes unassigned fund balance in the General Fund, which is available to appropriate in future years. Of the total governmental fund balances, \$1.2 billion are in nonspendable form made up of amounts legally or contractually required to be maintained intact including permanent fund endowments and assets that will not be converted to cash in the short term including consumable inventories. Another \$2.6 billion of the governmental fund balances are restricted for specific purposes by enabling legislation, the majority of which is legally restricted for capital projects. Committed governmental fund balances totaled \$601.6 million as of the end of the fiscal year representing funding set aside for multi-year projects and earmarked revenue carried forward with legislative authority for specific ongoing programs. Another \$67.0 million of the governmental fund balances are assigned for encumbered services and goods to be received after the end of the fiscal year. Two capital projects funds reported negative unassigned fund balances totaling \$41.1 million due to expenditures incurred in advance of bonding proceeds which will be received after the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the State. At the end of fiscal year 2011, the General Fund unassigned fund balance was \$553.7 million and the fund balance components set aside for specific purposes totaled \$1.1 billion. Increased revenues, including continued American Recovery and Reinvestment Act (ARRA) funding, helped the General Fund finish the year with an increase in fund balance of \$669.4 million (64.7 percent). Included within the General Fund's committed fund balance is \$2.2 million in the Counter-Cyclical Budget and Economic Stabilization Fund. This fund, also referred to as the Rainy Day Fund, is used to stabilize government programs in times of economic downturn.

General Fund Budgetary Highlights:

The State's economic condition improved in fiscal year 2011 and allowed the State to authorize additional expenditures after the initial budget. During the year, the General Fund budget was amended several times. The Legislature passed various supplemental appropriation bills which resulted in a net increase in general fund - general purpose appropriations of \$336.6 million over the original budget for the year. In fiscal year 2011, the state appropriated another \$1.5 billion in ARRA funds for General Fund programs, such as Medicaid and other health and human services programs, including Food Assistance, as well as funding for the colleges and universities.

Differences between the final budget (\$30.2 billion) and actual spending (\$29.9 billion) result from spending authority lapses of \$215.8 million and restricted revenue authorized, but not spent, of \$41.0 million. At fiscal year-end, excess restricted revenue of \$683.0 million was carried forward into fiscal year 2012 and is available for appropriation.

All agencies finished the year with net lapses. However, Community Health reported line item overexpenditures of \$56.5 million.

School Aid Fund

Fund balance at September 30, 2011, totaled \$753.6 million, an increase of \$494.1 million from the prior year. Revenues and transfers to the fund totaled \$13.8 billion, up \$514.3 million from the prior year. In fiscal year 2011, tax revenues deposited in the fund increased \$1.1 billion attributed mostly to an improved economy that provided a boost to sales taxes collected in the current year. Federal funds collected by the School Aid fund were up \$75.7 million over the prior year. Fiscal year 2011, federal revenue includes continued American Recovery and Reinvestment Act (ARRA) funding of \$183.5 million for education stabilization. Expenditures and transfers to other funds totaled \$13.3 billion, an increase of \$28.6 million over the previous year. The School Aid Stabilization Fund ended the year with \$724.7 million in restricted fund balance.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2011, the State had invested \$21.5 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled \$221.3 million.

Capital Assets as of September 30
(Net of Depreciation, In Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------|-------------------------|-------------------|--------------------------|--------------|--------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Land | \$3,418.1 | \$ 3,385.4 | \$ - | \$ - | \$ 3,418.1 | \$ 3,385.4 |
| Land improvements | 120.0 | 113.3 | - | - | 120.0 | 113.3 |
| Land rights | 45.1 | 44.5 | | | 45.1 | 44.5 |
| Buildings and improvements | 2,084.6 | 2,020.7 | - | - | 2,084.6 | 2,020.7 |
| Equipment | 161.8 | 153.7 | .6 | .6 | 162.4 | 154.3 |
| Computer software | 195.7 | 198.4 | | | 195.7 | 198.4 |
| Infrastructure | 13,315.9 | 13,015.1 | - | - | 13,315.9 | 13,015.1 |
| Other | 19.8 | 19.8 | - | - | 19.8 | 19.8 |
| Subtotal | 19,361.0 | 18,950.9 | .6 | .6 | 19,361.6 | 18,951.5 |
| Construction in progress | 2,124.8 | 1,768.7 | - | - | 2,124.8 | 1,768.7 |
| Total | <u>\$21,485.8</u> | <u>\$20,719.6</u> | <u>\$.6</u> | <u>\$.6</u> | <u>\$21,486.4</u> | <u>\$20,720.2</u> |

The most significant impact on capital assets during the year resulted from partially completed road and bridge construction and repair projects which are reported within construction in progress.

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,439 lane miles of roads and 4,764 bridges (spans in excess of 20 feet).

The State has improved the assessed condition of roads over the past five years. The State's goal is to have more than 70% of roads in fair to excellent condition. The most recent condition assessment, completed for calendar year 2010, indicated that 83.0% of roads were considered fair or better.

The State's bridges have assessed conditions that are better than the established benchmarks. The most recent assessment (2011) indicated that the condition of the bridges improved from the prior year. For fiscal year 2011, 92.0% of the bridges were assessed as structurally fair or better.

The Legislature passed capital outlay appropriations of \$283.7 million for fiscal year 2011. More detailed information about the State's capital assets is presented in Note 9 to the financial statements.

Long-term Debt: The State, along with the State Building Authority (SBA), a blended component unit of the State, are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State. The State also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. The State is not legally obligated for the debt issued by SBA. SBA's bonds generate revenue to finance the construction of facilities used by the State and universities. Revenues derived from leases on the facilities fund the debt service requirements. More detailed information regarding the State's long-term obligations is presented in Notes 13 and 15 to the financial statements.

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Outstanding Bonded Debt as of September 30
(In Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|-------------------------|------------------|--------------------------|-------------|--------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| General obligation bonds (backed by the State) | \$1,889.2 | \$1,679.5 | \$ - | \$ - | \$1,889.2 | \$1,679.5 |
| Revenue bonds and notes (backed by specific tax and fee revenues) | 5,447.1 | 5,388.2 | - | - | 5,447.1 | 5,388.2 |
| Total | <u>\$7,336.3</u> | <u>\$7,067.7</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$7,336.3</u> | <u>\$7,067.7</u> |

During the year, the State and SBA issued new bonds totaling \$474.3 million and refunding bonds totaling \$543.4 million. From the refunding bond proceeds, the State paid \$549.3 million to bond escrow agents to cover future debt service payments. The proceeds from the new bonds will provide funding for MDOT construction projects and state-owned and university-owned buildings.

Bond Ratings

The State's general obligations are rated AA- positive outlook by Fitch, AA- stable outlook by Standard & Poor's, and Aa2 stable outlook by Moody's.

Limitations on Debt

The State Constitution authorizes general obligation long-term borrowing, with approval of the Legislature and a majority of the voters, and general obligation short-term notes, of which the principal may not exceed 15% of undedicated revenues received in the preceding year. In fiscal year 2011, the State issued and repaid short-term borrowing totaling \$1.1 billion.

ECONOMIC CONDITION AND OUTLOOK

The 18-month long Great Recession (the worst U.S. economic downturn since at least 1948) ended in mid-2009. Since the recession ended, the U.S. economy has grown each quarter. By the third quarter of 2011, the U.S. economy returned to its pre-recession size. However, the economy has recovered from the Great Recession at a substantially slower pace than in prior recoveries. National employment has risen each month since October 2010. Consequently, U.S. employment increased 1.0 percent in 2011 – the first increase in four years. Nevertheless, U.S. employment remains well below its peak in 2007 (down 5.8 million jobs). The housing market, a major contributor to the Great Recession, has remained exceptionally weak. With 2008 marking the first year on record that housing starts fell below 1.0 million units, starts have now remained below that sub-par level four straight years and substantially lower than pre-recession levels. The light vehicle sector, which remains a key component of the Michigan economy, has recovered markedly. After falling to a 28-year low in 2009 (10.4 million units), vehicle sales rose to 12.7 million units in 2011. Nevertheless, vehicle sales remain substantially below average sales in the ten boom years prior to the recession (16.7 million units).

Michigan employment rose 1.7 percent in 2011, marking the state's first employment increase in 11 years. While employment increased in 2011, it was still down about 750,000 jobs from the peak level reached in 2000.

Personal income was up an estimated 5.0 percent in 2011 while wages and salaries rose 5.4 percent. With overall prices rising 3.4 percent, real (inflation adjusted) personal income increased 2.0 percent. Michigan's unemployment rate fell to 10.3 percent in 2011, down 2.4 percentage points from 2010 and 3.1 percentage points lower than 2009's 26-year high.

In 2012, real gross domestic product is expected to increase 2.0 percent. Light vehicle sales are projected to rise to 13.7 million units in 2012, which would mark the third consecutive annual increase. In addition, housing starts are projected to increase 17 percent to 700,000 units; however, housing starts will remain at historically low levels. In 2012, Michigan personal income is projected to increase 3.0 percent while wages and salaries are expected to increase 3.1 percent. Overall, Michigan employment is projected to rise 0.7 percent in 2012, which would mark the state's second straight yearly employment increase.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Additional financial information can be obtained elsewhere on the Office of Financial Management website. You can also contact the office by phone at (517) 373-1010.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component unit. To obtain their phone numbers, you may contact the Office of Financial Management at (517) 373-1010.



II. FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

Michigan

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

(In Thousands)

| | PRIMARY GOVERNMENT | | | COMPONENT UNITS |
|--|-------------------------|--------------------------|----------------------|----------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTALS | |
| | | | | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ 7,637 | \$ 21,395 | \$ 29,032 | \$ 1,536,297 |
| Equity in common cash (Note 5) | 2,936,838 | 83,220 | 3,020,058 | 193,131 |
| Taxes, interest, and penalties receivable (Note 6) | 4,071,569 | - | 4,071,569 | - |
| Internal balances | 44,385 | (44,385) | - | - |
| Amounts due from component units | 7,104 | 615 | 7,719 | 19,174 |
| Amounts due from primary government | - | - | - | 228,666 |
| Amounts due from federal government | 1,470,679 | 4,692 | 1,475,371 | 68,016 |
| Amounts due from local units | 221,159 | 55,066 | 276,226 | 1,273,600 |
| Inventories | 40,567 | 10,957 | 51,524 | 25,862 |
| Investments (Note 8) | 228,558 | 177,412 | 405,970 | 1,333,787 |
| Other current assets | 699,162 | 320,271 | 1,019,433 | 615,421 |
| Total Current Assets | <u>9,727,659</u> | <u>629,243</u> | <u>10,356,902</u> | <u>5,293,955</u> |
| Noncurrent Assets: | | | | |
| Restricted Assets: | | | | |
| Cash and cash equivalents | - | - | - | 60,279 |
| Investments | - | - | - | 487,110 |
| Mortgages and loans receivable | - | - | - | 37,988 |
| Taxes, interest, and penalties receivable (Note 6) | 236,839 | - | 236,839 | - |
| Advances to primary government | - | - | - | 858,289 |
| Amounts due from federal government | 11,687 | - | 11,687 | - |
| Amounts due from local units | 1,290,143 | - | 1,290,143 | 3,077,644 |
| Mortgages and loans receivable | - | - | - | 3,837,931 |
| Investments (Note 8) | 864,952 | 250,676 | 1,115,628 | 3,392,560 |
| Capital Assets (Note 9): | | | | |
| Land and other non-depreciable assets | 3,499,099 | - | 3,499,099 | 142,269 |
| Buildings, equipment, and other depreciable assets | 5,635,878 | 4,910 | 5,640,788 | 5,308,458 |
| Less accumulated depreciation | (2,819,086) | (4,332) | (2,823,418) | (2,157,974) |
| Infrastructure | 13,045,113 | - | 13,045,113 | 102,722 |
| Construction in progress | 2,124,775 | - | 2,124,775 | 198,583 |
| Total capital assets | <u>21,485,778</u> | <u>578</u> | <u>21,486,357</u> | <u>3,594,057</u> |
| Interest in joint ventures (Note 7) | 32,144 | - | 32,144 | - |
| Other noncurrent assets | 55,102 | 36,007 | 91,109 | 767,829 |
| Total Noncurrent Assets | <u>23,976,646</u> | <u>287,261</u> | <u>24,263,907</u> | <u>16,113,687</u> |
| Total Assets | <u>\$ 33,704,305</u> | <u>\$ 916,504</u> | <u>\$ 34,620,809</u> | <u>\$ 21,407,643</u> |

The accompanying notes are an integral part of the financial statements.

Michigan

| | PRIMARY GOVERNMENT | | | | COMPONENT UNITS | |
|---|-------------------------|-----------------------|--------------------------|----------------------|-----------------|--|
| | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | | |
| | | | | | | |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Warrants outstanding | \$ 145,630 | \$ 1,716 | \$ 147,346 | \$ 2,384 | | |
| Accounts payable and other liabilities | 3,294,287 | 213,100 | 3,507,387 | 413,456 | | |
| Income tax refunds payable (Note 16) | 799,754 | - | 799,754 | - | | |
| Amounts due to component units | 135,035 | - | 135,035 | 18,675 | | |
| Amounts due to primary government | - | - | - | 5,999 | | |
| Bonds and notes payable (Notes 13 and 14) | 466,262 | - | 466,262 | 1,539,917 | | |
| Interest payable | 130,427 | - | 130,427 | 132,061 | | |
| Deferred revenue | 118,145 | 620 | 118,765 | 82,768 | | |
| Current portion of other long-term obligations (Note 15) | 409,533 | 1,527 | 411,060 | 148,743 | | |
| Total Current Liabilities | <u>5,499,073</u> | <u>216,963</u> | <u>5,716,036</u> | <u>2,344,002</u> | | |
| Noncurrent Liabilities: | | | | | | |
| Advances from component units | 721,158 | - | 721,158 | - | | |
| Advances from federal government | - | 3,181,760 | 3,181,760 | - | | |
| Prize awards payable (Note 15) | - | 236,137 | 236,137 | - | | |
| Deferred revenue | 64,371 | - | 64,371 | 5,275 | | |
| Bonds and notes payable (Notes 13 and 14) | 7,002,687 | - | 7,002,687 | 10,625,469 | | |
| Noncurrent portion of other long-term obligations (Note 15) | 4,408,516 | 60,789 | 4,469,305 | 1,858,287 | | |
| Total Noncurrent Liabilities | <u>12,196,732</u> | <u>3,478,686</u> | <u>15,675,418</u> | <u>12,489,030</u> | | |
| Total Liabilities | <u>\$ 17,695,806</u> | <u>\$ 3,695,649</u> | <u>\$ 21,391,454</u> | <u>\$ 14,833,033</u> | | |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | \$ 17,782,073 | \$ 578 | \$ 17,782,652 | \$ 2,128,974 | | |
| Restricted For: | | | | | | |
| Education | 1,075,009 | - | 1,075,009 | 211,077 | | |
| Construction and debt service | - | - | - | 3,033,038 | | |
| Public safety and corrections | 34,485 | - | 34,485 | - | | |
| Conservation, environment, recreation, and agriculture | 260,508 | - | 260,508 | - | | |
| Health and human services | 45,698 | - | 45,698 | - | | |
| Transportation | 759,478 | - | 759,478 | - | | |
| Unemployment compensation | - | 100,990 | 100,990 | - | | |
| Labor and economic growth | 133,318 | - | 133,318 | - | | |
| Other purposes | 110,244 | 30,463 | 140,707 | 465,302 | | |
| Funds Held as Permanent Investments: | | | | | | |
| Expendable | 217,178 | - | 217,178 | 73,024 | | |
| Nonexpendable | 916,144 | - | 916,144 | 281,478 | | |
| Unrestricted | <u>(5,325,636)</u> | <u>(2,911,176)</u> | <u>(8,236,812)</u> | <u>381,717</u> | | |
| Total Net Assets | <u>\$ 16,008,499</u> | <u>\$ (2,779,145)</u> | <u>\$ 13,229,354</u> | <u>\$ 6,574,610</u> | | |

Michigan

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| Functions/Programs | EXPENSES | PROGRAM REVENUES | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General government | \$ 2,286,436 | \$ 790,054 | \$ 151,936 | \$ 3,693 |
| Education | 15,269,638 | 5,491 | 2,614,982 | - |
| Human services | 6,423,345 | 34,810 | 5,303,969 | - |
| Public safety and corrections | 2,863,890 | 166,034 | 170,576 | 9,858 |
| Conservation, environment, recreation, and agriculture | 575,118 | 266,062 | 137,538 | 1,645 |
| Labor, commerce, and regulatory | 1,178,970 | 316,941 | 767,938 | - |
| Health services | 13,917,219 | 90,558 | 10,017,874 | - |
| Transportation | 2,460,553 | 92,045 | 444,156 | 1,046,519 |
| Tax credits (Note 16) | 1,271,900 | - | - | - |
| Intergovernmental-revenue sharing | 1,091,527 | - | - | - |
| Interest on long-term debt | 217,014 | - | - | - |
| Total governmental activities | <u>47,555,610</u> | <u>1,761,994</u> | <u>19,608,970</u> | <u>1,061,715</u> |
| Business-type Activities: | | | | |
| Liquor Purchase Revolving Fund | 660,861 | 812,140 | - | - |
| State Lottery Fund | 1,631,489 | 2,357,417 | 27,949 | - |
| Attorney Discipline System | 4,941 | 5,114 | - | - |
| Michigan Unemployment Compensation Funds | 4,350,158 | 4,441,664 | 144,089 | - |
| Total business-type activities | <u>6,647,450</u> | <u>7,616,335</u> | <u>172,038</u> | <u>-</u> |
| Total primary government | <u>\$ 54,203,060</u> | <u>\$ 9,378,329</u> | <u>\$ 19,781,008</u> | <u>\$ 1,061,715</u> |
| Total component units | <u>\$ 4,433,443</u> | <u>\$ 2,264,412</u> | <u>\$ 1,557,316</u> | <u>\$ 51,121</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| General: | | | | |
| Sales and use | | | | |
| Personal income | | | | |
| Single business and Michigan business | | | | |
| Tobacco products | | | | |
| Beer, wine, and liquor | | | | |
| Insurance company | | | | |
| Quality assurance assessment | | | | |
| Penalties and interest | | | | |
| Other | | | | |
| Restricted For Educational Purposes: | | | | |
| Sales and use | | | | |
| Personal income | | | | |
| Michigan business | | | | |
| Education, property, and real estate transfers | | | | |
| Tobacco products | | | | |
| Beer, wine, and liquor | | | | |
| Casino gaming wagering | | | | |
| Other | | | | |
| Restricted For Transportation Purposes: | | | | |
| Sales and use | | | | |
| Gasoline and diesel fuel | | | | |
| Motor vehicle weight | | | | |
| Other | | | | |
| Unrestricted investment and interest earnings | | | | |
| Miscellaneous | | | | |
| Contributions to permanent fund principal | | | | |
| Payments from State of Michigan | | | | |
| Transfers | | | | |
| Total general and other revenue, payments, and transfers | | | | |
| Change in net assets | | | | |
| Net assets-beginning-restated | | | | |
| Net assets-ending | | | | |

The accompanying notes are an integral part of the financial statements.

Michigan

NET (EXPENSE) REVENUES AND
CHANGES IN NET ASSETS

| PRIMARY GOVERNMENT | | | |
|--------------------------------|---------------------------------|----------------------|------------------------|
| GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTALS | COMPONENT UNITS |
| \$ (1,340,752) | \$ - | \$ (1,340,752) | \$ - |
| (12,649,165) | - | (12,649,165) | - |
| (1,084,566) | - | (1,084,566) | - |
| (2,517,422) | - | (2,517,422) | - |
| (169,873) | - | (169,873) | - |
| (94,092) | - | (94,092) | - |
| (3,808,788) | - | (3,808,788) | - |
| (877,832) | - | (877,832) | - |
| (1,271,900) | - | (1,271,900) | - |
| (1,091,527) | - | (1,091,527) | - |
| (217,014) | - | (217,014) | - |
| (25,122,932) | - | (25,122,932) | - |
| - | 151,279 | 151,279 | - |
| - | 753,876 | 753,876 | - |
| - | 173 | 173 | - |
| - | 235,595 | 235,595 | - |
| - | 1,140,924 | 1,140,924 | - |
| (25,122,932) | 1,140,924 | (23,982,008) | - |
| - | - | - | (560,594) |
| 2,784,245 | - | 2,784,245 | - |
| 5,822,443 | - | 5,822,443 | - |
| 1,456,727 | - | 1,456,727 | - |
| 593,462 | - | 593,462 | - |
| 128,574 | 14,855 | 143,429 | - |
| 271,198 | - | 271,198 | - |
| 884,412 | - | 884,412 | - |
| 132,724 | - | 132,724 | - |
| 239,306 | - | 239,306 | - |
| 5,399,478 | - | 5,399,478 | - |
| 1,999,556 | - | 1,999,556 | - |
| 611,433 | - | 611,433 | - |
| 2,015,369 | - | 2,015,369 | - |
| 377,288 | - | 377,288 | - |
| 39,165 | - | 39,165 | - |
| 114,017 | - | 114,017 | - |
| 66,231 | - | 66,231 | - |
| 90,025 | - | 90,025 | - |
| 959,479 | - | 959,479 | - |
| 859,783 | - | 859,783 | - |
| 5,621 | - | 5,621 | - |
| 696 | 191 | 887 | 199,576 |
| 648,297 | 649 | 648,947 | 429,517 |
| 28,773 | - | 28,773 | - |
| - | - | - | 712,124 |
| 917,966 | (917,966) | - | - |
| 26,446,268 | (902,271) | 25,543,997 | 1,341,217 |
| 1,323,336 | 238,653 | 1,561,989 | 780,623 |
| 14,685,163 | (3,017,798) | 11,667,366 | 5,793,987 |
| \$ 16,008,499 | \$ (2,779,145) | \$ 13,229,354 | \$ 6,574,610 |



GOVERNMENTAL FUND FINANCIAL STATEMENTS



Major Funds

GENERAL FUND

This fund is the State's operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

SCHOOL AID FUND

An amendment to the 1908 State Constitution created this fund in 1955. The 1963 State Constitution provided for the fund's continued existence. Its purpose is to aid in the support of the public schools and the intermediate school districts of the State. School aid payments to school districts are based on a statutory formula. Michigan Compiled Laws Section 388.1611a, effective October 1, 2003, created the school aid stabilization fund as a separate account within the School Aid Fund. Pursuant to this act, any remaining unreserved fund balance in the School Aid Fund at year-end is transferred to this account.

The fund receives State revenues restricted to local school programs, including: the constitutionally dedicated 60% of the collections of sales tax imposed at a rate of 4% and all of the collections of sales tax imposed at the additional rate of 2%; State Lottery Fund earnings; a percentage of the adjusted gross receipts from casino gaming; the real estate transfer tax; and portions of the personal income, cigarette, liquor, and industrial and commercial facilities taxes. A constitutional amendment approved by voters in 1994 made structural changes in the method of financing local school districts. The amendment authorized the levy of a statewide property tax, which is deposited in the School Aid Fund. Appropriated transfers are also made from the General Fund.

Non-Major Funds

Non-major governmental funds are presented, by fund type, beginning on page 126.

Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011
 (In Thousands)

| | GENERAL FUND | SCHOOL AID FUND | NON-MAJOR FUNDS | TOTALS |
|--|---------------------|-----------------------|---------------------|----------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ 6,274 | \$ - | \$ 1,362 | \$ 7,637 |
| Equity in common cash (Note 5) | 1,147,935 | - | 1,539,348 | 2,687,283 |
| Taxes, interest, and penalties receivable (Note 6) | 2,108,081 | 1,856,883 | 106,606 | 4,071,569 |
| Amounts due from other funds (Note 18) | 709,261 | - | 100,222 | 809,483 |
| Amounts due from component units | 5,909 | - | 1,196 | 7,104 |
| Amounts due from federal agencies | 1,145,996 | 69,931 | 254,753 | 1,470,679 |
| Amounts due from local units | 98,162 | 61,693 | 61,304 | 221,159 |
| Inventories | 11,689 | - | 13,310 | 24,999 |
| Investments (Note 8) | - | - | 228,558 | 228,558 |
| Other current assets | 493,318 | - | 182,144 | 675,462 |
| Total Current Assets | 5,726,625 | 1,988,506 | 2,488,803 | 10,203,934 |
| Noncurrent Assets: | | | | |
| Taxes, interest, and penalties receivable (Note 6) | 174,288 | 59,931 | 2,620 | 236,839 |
| Advances to other funds (Note 18) | 6,004 | - | - | 6,004 |
| Amounts due from federal agencies | 11,687 | - | - | 11,687 |
| Amounts due from local units | 1,241,976 | 3,687 | 44,480 | 1,290,143 |
| Investments (Note 8) | - | - | 864,952 | 864,952 |
| Other noncurrent assets | 7,284 | - | 6,834 | 14,118 |
| Total Noncurrent Assets | 1,441,240 | 63,618 | 918,885 | 2,423,743 |
| Total Assets | \$ 7,167,865 | \$ 2,052,124 | \$ 3,407,689 | \$ 12,627,677 |
| LIABILITIES AND FUND BALANCES | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | \$ 133,548 | \$ 989 | \$ 7,038 | \$ 141,575 |
| Accounts payable and other liabilities (Note 23) | 2,467,103 | 168,397 | 544,338 | 3,179,838 |
| Income tax refunds payable (Note 16) | 799,754 | - | - | 799,754 |
| Amounts due to other funds (Note 18) | 31,114 | 654,284 | 111,618 | 797,016 |
| Amounts due to component units | 954 | - | - | 954 |
| Bonds and notes payable | - | - | 10,500 | 10,500 |
| Interest payable | - | - | 2 | 2 |
| Deferred revenue | 846,990 | 414,959 | 183,760 | 1,445,709 |
| Total Current Liabilities | 4,279,463 | 1,238,629 | 857,255 | 6,375,348 |
| Long-Term Liabilities: | | | | |
| Advances from component units | 721,158 | - | - | 721,158 |
| Deferred revenue | 463,951 | 59,931 | 9,049 | 532,931 |
| Total Long-Term Liabilities | 1,185,109 | 59,931 | 9,049 | 1,254,089 |
| Total Liabilities | 5,464,573 | 1,298,561 | 866,304 | 7,629,437 |
| Fund Balances: | | | | |
| Nonspendable | 267,289 | - | 929,077 | 1,196,366 |
| Restricted | 351,551 | 753,563 | 1,515,523 | 2,620,637 |
| Committed | 463,685 | - | 137,910 | 601,595 |
| Assigned | 67,021 | - | - | 67,021 |
| Unassigned | 553,746 | - | (41,126) | 512,620 |
| Total Fund Balances | 1,703,292 | 753,563 | 2,541,385 | 4,998,240 |
| Total Liabilities and Fund Balances | \$ 7,167,865 | \$ 2,052,124 | \$ 3,407,689 | \$ 12,627,677 |

The accompanying notes are an integral part of the financial statements.

Michigan

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

(In Thousands)

| | |
|---|----------------------|
| Total fund balances for governmental funds | \$ 4,998,240 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 9) | |
| | |
| Land and other non-depreciable assets | 3,489,929 |
| Buildings, equipment, and other depreciable assets | 4,826,466 |
| Infrastructure | 13,045,113 |
| Construction in progress | 2,124,775 |
| Interest in joint ventures | 32,144 |
| Accumulated depreciation | <u>(2,249,873)</u> |
| | 21,268,554 |
| Certain tax revenues are earned but not available and therefore are not reported in the funds. | |
| | 1,420,852 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | |
| | 444,730 |
| Amounts due to component units for long-term loans. | |
| | (134,081) |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. | |
| | 204,816 |
| Deferred issue costs are reported as current expenditures in the funds. However, deferred issue costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets. | |
| | 38,934 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 15) | |
| | |
| Capital lease obligations | (384,020) |
| Compensated absences | (362,421) |
| Workers' compensation | (116,069) |
| Litigation | (489,837) |
| Net pension obligations | (622,867) |
| Net other postemployment benefits | (2,400,981) |
| Pollution remediation | (165,745) |
| Financed infrastructure projects | (36,340) |
| Pension supplement | (66,380) |
| Other long-term liabilities | <u>(10)</u> |
| | (4,644,670) |
| Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement. (Note 13) | |
| | |
| Bonds and notes payable | (7,336,289) |
| Unamortized premiums | (206,883) |
| Less unamortized discounts | 3,414 |
| Less deferred loss amount on refundings | 81,309 |
| Accrued interest payable | <u>(130,425)</u> |
| | (7,588,874) |
| Net assets of governmental activities | |
| | <u>\$ 16,008,499</u> |

The accompanying notes are an integral part of the financial statements.

Michigan

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | GENERAL FUND | SCHOOL AID FUND | NON-MAJOR FUNDS | TOTALS |
|---|---------------------|-----------------------|---------------------|----------------------|
| REVENUES | | | | |
| Taxes | \$ 12,235,481 | \$ 10,543,269 | \$ 1,913,207 | \$ 24,691,957 |
| From federal agencies | 16,283,044 | 2,468,558 | 1,649,797 | 20,401,399 |
| From local agencies | 85,674 | - | 17,305 | 102,979 |
| From services | 316,975 | - | 4,825 | 321,799 |
| From licenses and permits | 289,647 | - | 175,109 | 464,756 |
| Special Medicaid reimbursements | 155,059 | - | - | 155,059 |
| Miscellaneous | 825,040 | 26,323 | 671,858 | 1,523,221 |
| Total Revenues | 30,190,919 | 13,038,151 | 4,432,101 | 47,661,170 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,539,484 | 21,230 | 297,276 | 1,857,989 |
| Education | 1,950,194 | 13,265,957 | 81,103 | 15,297,255 |
| Human services | 6,313,995 | - | 32,678 | 6,346,672 |
| Public safety and corrections | 2,546,937 | - | 3,056 | 2,549,993 |
| Conservation, environment, recreation, and agriculture | 309,086 | - | 207,013 | 516,098 |
| Labor, commerce, and regulatory | 906,147 | - | 237,815 | 1,143,962 |
| Health services | 13,820,533 | - | 84,470 | 13,905,003 |
| Transportation | - | - | 2,069,572 | 2,069,572 |
| Tax credits (Note 16) | 1,271,900 | - | - | 1,271,900 |
| Capital outlay | 17,685 | - | 1,151,773 | 1,169,458 |
| Intergovernmental-revenue sharing | 1,091,527 | - | - | 1,091,527 |
| Debt service: | | | | |
| Bond principal retirement | - | - | 231,577 | 231,577 |
| Bond interest and fiscal charges | - | - | 311,955 | 311,955 |
| Capital lease payments | 55,227 | - | 920 | 56,146 |
| Total Expenditures | 29,822,715 | 13,287,187 | 4,709,207 | 47,819,108 |
| Excess of Revenues over (under) Expenditures | 368,205 | (249,036) | (277,107) | (157,938) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds and notes issued | 210,739 | - | 263,539 | 474,278 |
| Refunding bonds issued | 262 | - | 543,105 | 543,367 |
| Premium on bond issuance | - | - | 12,216 | 12,216 |
| Discount on bond issuance | - | - | (150) | (150) |
| Payment to refunded bond escrow agent | - | - | (549,296) | (549,296) |
| Capital lease acquisitions | 171,094 | - | 1,018 | 172,111 |
| Proceeds from sale of capital assets | 1,742 | - | 55 | 1,797 |
| Transfers from other funds (Note 20) | 230,777 | 745,967 | 1,640,156 | 2,616,900 |
| Transfers to other funds (Note 20) | (313,437) | (2,837) | (1,377,769) | (1,694,043) |
| Total Other Financing Sources (Uses) | 301,177 | 743,130 | 532,874 | 1,577,181 |
| Net changes in fund balances | 669,381 | 494,094 | 255,767 | 1,419,243 |
| Fund Balances - Beginning of fiscal year - restated | 1,033,911 | 259,469 | 2,285,617 | 3,578,997 |
| Fund Balances - End of fiscal year | \$ 1,703,292 | \$ 753,563 | \$ 2,541,385 | \$ 4,998,240 |

The accompanying notes are an integral part of the financial statements.

Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)

| | |
|---|------------------|
| Net change in fund balance - total governmental funds | \$ 1,419,243 |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 9) | |
| Land and other non-depreciable assets | 33,279 |
| Buildings, equipment, and other depreciable assets | 181,968 |
| Infrastructure | 301,913 |
| Construction in progress | 356,858 |
| Gain on disposal of capital assets | 1,797 |
| Accumulated depreciation | <u>(162,925)</u> |
| | 712,891 |
| Certain revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities. | 44,971 |
| Amount due to component units for long-term loans are not reported in the funds as they are not due and payable. | (25,624) |
| Increase in equity interest in joint ventures. (Note 7) | 1,024 |
| Tax revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the Statement of Activities. | 163,835 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. | 38,386 |
| Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments. (Note 13) | |
| Bond proceeds and premiums received | (1,029,861) |
| Repayment of bond principal | 231,577 |
| Payment to refunded bond escrow agent | 549,296 |
| Discount on bond issuances | 150 |
| Accrued interest and amortization | (34,888) |
| Deferred issue costs | <u>6,031</u> |
| | (277,695) |
| Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities. (Note 15) | |
| Net pension obligation | (29,493) |
| Net other postemployment benefit obligation | (650,346) |
| Capital lease payments | 19,242 |
| Compensated absences payments | 102,696 |
| Litigation recoveries, settlements and payments | (130,224) |
| Pollution remediation obligations | 451 |
| Workers' compensation | (2,388) |
| Financed infrastructure projects | 2,750 |
| Pension supplement | (66,380) |
| Other | <u>(2)</u> |
| | (753,695) |
| Change in net assets of governmental activities | \$ 1,323,336 |

The accompanying notes are an integral part of the financial statements.



PROPRIETARY FUND FINANCIAL STATEMENTS



Major Funds

STATE LOTTERY FUND

Michigan Compiled Laws (MCL) Section 432.41 established the State Lottery Fund and MCL Section 432.5 created a Bureau of State Lottery under authority of Article 5, Section 4, of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Technology, Management and Budget. The Bureau was transferred to the Department of Treasury during fiscal year 1991. Net income of the fund related to lottery operations is transferred to the School Aid Fund and the fund's net income related to bingo and charity games regulation is transferred to the General Fund. The remaining net assets balance represents the unrealized cumulative gain or loss on investments, as required by Governmental Accounting Standards Board Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Revenues and related expenses are recognized in the period during which the related drawings are held. Deferred prize awards are recorded as expenses and liabilities at their discounted present value. The State Treasurer invests funds equivalent to the discounted value of the installment payments and the Lottery Fund is credited with the interest earnings.

MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS

The columns for the Michigan Unemployment Compensation Funds reflect the activity of two funds administered by the Unemployment Insurance Agency within the Department of Licensing and Regulatory Affairs: the Michigan Unemployment Compensation Fund and the Michigan Employment Security Act Contingent Fund. The Michigan Unemployment Compensation Fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers. The fund also makes payments under certain federally funded programs. Administrative costs of the fund are accounted for in the Michigan Employment Security Act - Administration Fund, a special revenue fund.

The Michigan Employment Security Act Contingent Fund was created by Michigan Compiled Laws (MCL) Section 421.10 to receive a special temporary unemployment tax surcharge, known as the solvency tax. The fund also receives interest and penalty charges on late contributions. MCL Section 421.10 restricts use of solvency taxes for payment of interest on the Michigan Unemployment Compensation borrowings from the federal government.

A portion of the asset "Amounts due from other funds" and the liability "Amounts due to other funds" represent receivables and payables between the Michigan Unemployment Compensation Fund and the Michigan Employment Security Act Contingent Fund.

Non-Major Funds

Individual fund statements for the Enterprise Funds, whose combined totals are presented on this statement, begin on page 186.

Individual fund statements for the Internal Service Funds, whose combined totals are presented on this statement, begin on page 190.

Michigan

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2011

(In Thousands)

| BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | | | |
|--|--------------------------|---|------------------|---|-------------------|--|
| | MAJOR | | | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS | | |
| | STATE LOTTERY FUND | MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS | NON-MAJOR | TOTALS | | |
| | | | | | | |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash | \$ 2 | \$ 21,024 | \$ 369 | \$ 21,395 | \$ - | |
| Equity in common cash (Note 5) | 15,933 | 3,094 | 64,194 | 83,220 | 249,555 | |
| Amounts due from other funds (Note 18) | - | 15,166 | - | 15,166 | 16,113 | |
| Amounts due from component units | - | 615 | - | 615 | - | |
| Amounts due from federal agencies | - | 4,692 | - | 4,692 | - | |
| Amounts due from local units | - | 55,066 | - | 55,066 | - | |
| Inventories | 5,053 | - | 5,904 | 10,957 | 15,568 | |
| Investments (Note 8) | 48,851 | 122,615 | 5,946 | 177,412 | - | |
| Other current assets | 65,742 | 246,842 | 7,687 | 320,271 | 22,890 | |
| Total Current Assets | <u>135,580</u> | <u>469,114</u> | <u>84,100</u> | <u>688,794</u> | <u>304,126</u> | |
| Noncurrent Assets: | | | | | | |
| Investments (Note 8) | 250,676 | - | - | 250,676 | - | |
| Capital Assets (Note 9): | | | | | | |
| Land and other non depreciable assets | - | - | - | - | 9,170 | |
| Buildings and equipment | 4,399 | - | 512 | 4,910 | 809,412 | |
| Allowance for depreciation | (3,951) | - | (381) | (4,332) | (569,213) | |
| Total capital assets | <u>447</u> | <u>-</u> | <u>131</u> | <u>578</u> | <u>249,369</u> | |
| Other noncurrent assets | - | 36,000 | 7 | 36,007 | 2,050 | |
| Total Noncurrent Assets | <u>251,123</u> | <u>36,000</u> | <u>138</u> | <u>287,261</u> | <u>251,419</u> | |
| Total Assets | <u>\$ 386,704</u> | <u>\$ 505,114</u> | <u>\$ 84,237</u> | <u>\$ 976,055</u> | <u>\$ 555,545</u> | |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Warrants outstanding | \$ 921 | \$ - | \$ 795 | \$ 1,716 | \$ 4,055 | |
| Accounts payable and other liabilities (Note 23) | 117,028 | 20,602 | 75,262 | 212,893 | 63,781 | |
| Amounts due to other funds (Note 18) | 221 | 59,327 | 211 | 59,758 | 18,509 | |
| Deferred revenue | - | - | 620 | 620 | 21,306 | |
| Current portion of other long-term obligations (Note 15) | 1,062 | - | 465 | 1,527 | 66,196 | |
| Total Current Liabilities | <u>119,232</u> | <u>79,929</u> | <u>77,353</u> | <u>276,514</u> | <u>173,846</u> | |
| Long-Term Liabilities: | | | | | | |
| Advances from other funds (Note 18) | - | - | - | - | 6,004 | |
| Advances from federal government | - | 3,181,760 | - | 3,181,760 | - | |
| Amounts due to other funds (Note 18) | 334 | - | 303 | 637 | 3,399 | |
| Prize awards payable | 236,137 | - | - | 236,137 | - | |
| Deferred revenue | - | - | - | - | 48,152 | |
| Noncurrent portion of other long-term obligations (Note 15) | 538 | 58,917 | 697 | 60,152 | 119,327 | |
| Total Long-Term Liabilities | <u>237,009</u> | <u>3,240,677</u> | <u>1,000</u> | <u>3,478,686</u> | <u>176,883</u> | |
| Total Liabilities | <u>356,240</u> | <u>3,320,606</u> | <u>78,353</u> | <u>3,755,200</u> | <u>350,729</u> | |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | \$ 447 | \$ - | \$ 131 | \$ 578 | \$ 225,927 | |
| Restricted For: | | | | | | |
| Unemployment compensation | - | 100,990 | - | 100,990 | - | |
| Other purposes | 30,463 | - | - | 30,463 | 8,285 | |
| Unrestricted | (447) | (2,916,482) | 5,753 | (2,911,176) | (29,396) | |
| Total Net Assets | <u>\$ 30,463</u> | <u>\$ (2,815,492)</u> | <u>\$ 5,884</u> | <u>\$ (2,779,145)</u> | <u>\$ 204,816</u> | |

The accompanying notes are an integral part of the financial statements.

Michigan

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS

| | MAJOR | | | | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS |
|--|--------------------------|---|------------------|-----------------------|---|
| | STATE LOTTERY FUND | MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS | NON-MAJOR | TOTALS | |
| | | | | | |
| OPERATING REVENUES | | | | | |
| Operating revenues | \$ 2,357,417 | \$ 4,441,664 | \$ 817,254 | \$ 7,616,335 | \$ 1,451,257 |
| Total Operating Revenues | <u>2,357,417</u> | <u>4,441,664</u> | <u>817,254</u> | <u>7,616,335</u> | <u>1,451,257</u> |
| OPERATING EXPENSES | | | | | |
| Salaries, wages, and other administrative | 271,487 | 1 | 71,645 | 343,133 | 537,158 |
| Interest expense | 3 | - | - | 3 | - |
| Depreciation | 211 | - | 30 | 241 | 59,602 |
| Purchases for resale | - | - | 592,882 | 592,882 | 68,770 |
| Purchases for prison industries | - | - | - | - | 13,924 |
| Lottery prize awards | 1,344,325 | - | - | 1,344,325 | - |
| Premiums and claims | - | - | 23 | 23 | 672,250 |
| Unemployment benefits | - | 1,667,570 | - | 1,667,570 | - |
| Other operating expenses | - | 2,576,555 | 1,222 | 2,577,777 | 51,655 |
| Total Operating Expenses | <u>1,616,026</u> | <u>4,244,126</u> | <u>665,802</u> | <u>6,525,954</u> | <u>1,403,359</u> |
| Operating Income (Loss) | <u>741,391</u> | <u>197,538</u> | <u>151,452</u> | <u>1,090,381</u> | <u>47,899</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Specific tax on spirits | - | - | 14,855 | 14,855 | - |
| Interest revenue | 197 | - | 191 | 387 | 375 |
| Investment revenue (expense) - net | 27,753 | 45 | - | 27,798 | - |
| Other nonoperating revenues | - | 144,044 | 649 | 144,693 | 287 |
| Amortization of prize award obligation discount | (15,459) | - | - | (15,459) | - |
| Interest expense | (5) | (106,032) | - | (106,037) | (673) |
| Other nonoperating expense | - | - | - | - | (5,319) |
| Total Nonoperating Revenues (Expenses) | <u>12,486</u> | <u>38,057</u> | <u>15,695</u> | <u>66,238</u> | <u>(5,330)</u> |
| Income (Loss) Before Transfers | <u>753,876</u> | <u>235,595</u> | <u>167,147</u> | <u>1,156,619</u> | <u>42,568</u> |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | | | |
| Transfers from other funds | - | - | - | - | 101 |
| Transfers To: | | | | | |
| School Aid Fund | (727,325) | - | - | (727,325) | - |
| Other funds | (10,344) | (13,399) | (166,898) | (190,641) | (4,283) |
| Total transfers to other funds | <u>(737,669)</u> | <u>(13,399)</u> | <u>(166,898)</u> | <u>(917,966)</u> | <u>(4,182)</u> |
| Change in net assets | <u>16,208</u> | <u>222,196</u> | <u>249</u> | <u>238,653</u> | <u>38,386</u> |
| Total net assets - Beginning of fiscal year - restated | <u>14,256</u> | <u>(3,037,689)</u> | <u>5,635</u> | <u>(3,017,798)</u> | <u>166,429</u> |
| Total net assets - End of fiscal year | <u>\$ 30,463</u> | <u>\$ (2,815,492)</u> | <u>\$ 5,884</u> | <u>\$ (2,779,145)</u> | <u>\$ 204,816</u> |

The accompanying notes are an integral part of the financial statements.

Michigan

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS | |
|--|--|--|-------------------------|--------------------------|--------------------------|---|--|
| | MAJOR | | | | TOTALS | | |
| | STATE LOTTERY FUND | MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS | NON-MAJOR | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Receipts from federal and local agencies | \$ - | \$ 2,600,323 | \$ - | \$ 2,600,323 | \$ - | \$ - | |
| Receipts from customers | 2,354,810 | 1,821,052 | 812,140 | 4,988,003 | 1,435,154 | | |
| Membership dues | - | - | 5,000 | 5,000 | - | | |
| Payments to employees | (17,131) | - | (20,981) | (38,111) | (197,303) | | |
| Payments to suppliers | (54,202) | - | (647,837) | (702,039) | (767,236) | | |
| Payments to prize winners | (1,303,047) | - | - | (1,303,047) | - | | |
| Payments for commissions to retailers | (200,749) | - | - | (200,749) | - | | |
| Claims paid | - | (4,274,854) | - | (4,274,854) | (378,144) | | |
| Other receipts | - | 42,094 | 9,372 | 51,466 | 489 | | |
| Other payments | - | (1) | (1,627) | (1,628) | (7,008) | | |
| Net cash provided (used) by operating activities | <u>\$ 779,680</u> | <u>\$ 188,613</u> | <u>\$ 156,068</u> | <u>\$ 1,124,362</u> | <u>\$ 85,953</u> | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Advances from federal government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Loans or loan repayments from other funds | - | 45,533 | - | 45,533 | 33,393 | | |
| Loans or loan repayments to other funds | - | (594,374) | - | (594,374) | (33,781) | | |
| Specific tax on spirits | - | - | 14,855 | 14,855 | - | | |
| Transfers from other funds | - | - | - | - | 101 | | |
| Transfers to other funds | (737,669) | (16,248) | (166,898) | (920,815) | (4,283) | | |
| Net cash provided (used) by noncapital financing activities | <u>\$ (737,669)</u> | <u>\$ (565,089)</u> | <u>\$ (152,043)</u> | <u>\$ (1,454,801)</u> | <u>\$ (4,570)</u> | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Acquisition and construction of capital assets | \$ (105) | \$ - | \$ (111) | \$ (216) | \$ (28,555) | | |
| Interest paid | - | - | - | - | (12) | | |
| Capital lease payments (including imputed interest expense) | - | - | - | - | (8,011) | | |
| Proceeds from sale of capital assets | - | - | - | - | 144 | | |
| Net cash provided (used) by capital and related financing activities | <u>\$ (105)</u> | <u>\$ -</u> | <u>\$ (111)</u> | <u>\$ (216)</u> | <u>\$ (36,433)</u> | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Proceeds from sales and maturities of investment securities | \$ 53,040 | \$ 363,794 | \$ - | \$ 416,834 | \$ - | | |
| Purchases of investment securities | (97,278) | - | (776) | (98,054) | - | | |
| Interest and dividends on investments | 197 | 45 | 191 | 433 | 375 | | |
| Expenses from securities lending activities | (5) | - | - | (5) | - | | |
| Net cash provided (used) by investing activities | <u>\$ (44,047)</u> | <u>\$ 363,840</u> | <u>\$ (585)</u> | <u>\$ 319,207</u> | <u>\$ 375</u> | | |
| Net cash provided (used) - all activities | <u>\$ (2,140)</u> | <u>\$ (12,636)</u> | <u>\$ 3,329</u> | <u>\$ (11,448)</u> | <u>\$ 45,325</u> | | |
| Cash and cash equivalents at beginning of year | <u>17,154</u> | <u>36,754</u> | <u>60,439</u> | <u>114,347</u> | <u>200,175</u> | | |
| Cash and cash equivalents at end of year | <u>\$ 15,014</u> | <u>\$ 24,118</u> | <u>\$ 63,768</u> | <u>\$ 102,899</u> | <u>\$ 245,500</u> | | |

The accompanying notes are an integral part of the financial statements.

Michigan

| BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | | | |
|--|-----------------------------------|---|-------------------|---------------------|--|----------|
| MAJOR | | | | | | |
| | STATE LOTTERY FUND | MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS | NON-MAJOR | TOTALS | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS | |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | | | | | |
| Per Statement of Net Assets Classifications: | | | | | | |
| Cash | \$ 2 | \$ 21,024 | \$ 369 | \$ 21,395 | \$ - | \$ - |
| Equity in common cash | 15,933 | 3,094 | 64,194 | 83,220 | 249,555 | |
| Warrants outstanding | (921) | - | (795) | (1,716) | (4,055) | |
| Cash and cash equivalents at end of year | <u>\$ 15,014</u> | <u>\$ 24,118</u> | <u>\$ 63,768</u> | <u>\$ 102,899</u> | <u>\$ 245,500</u> | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | | | |
| Operating income (loss) | \$ 741,391 | \$ 197,538 | \$ 151,452 | \$ 1,090,381 | \$ 47,899 | |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) | | | | | | |
| by Operating Activities: | | | | | | |
| Depreciation expense | 211 | - | 30 | 241 | 59,602 | |
| Amortization of prize award obligation discount | (15,459) | - | - | (15,459) | - | |
| Other nonoperating revenues | - | - | 649 | 649 | - | |
| Other reconciling items | 136 | - | - | 136 | - | |
| Net Changes in Assets and Liabilities: | | | | | | |
| Inventories | 319 | - | 36 | 355 | (1,756) | |
| Other assets (net) | (2,606) | 4,899 | (639) | 1,653 | 1,654 | |
| Accounts payable and other liabilities | (1,047) | (13,824) | 4,486 | (10,385) | (21,446) | |
| Prize awards payable | 56,737 | - | - | 56,737 | - | |
| Deferred revenue | - | - | 54 | 54 | - | |
| Net cash provided (used) by operating activities | <u>\$ 779,680</u> | <u>\$ 188,613</u> | <u>\$ 156,068</u> | <u>\$ 1,124,362</u> | <u>\$ 85,953</u> | |
| SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | | | | |
| Capital contributions | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Cost of capital assets acquisitions financed by capital leases | - | - | - | - | - | 18,429 |
| Capital lease liabilities entered into during the year | - | - | - | - | - | (18,429) |
| Increase (decrease) in fair value of investments | 16,208 | - | - | 16,208 | - | - |
| Transfers from other funds (accrual) | - | - | - | - | - | - |
| Transfers to other funds (accrual) | - | (8,310) | - | (8,310) | - | - |
| Gain (loss) on disposal of capital assets | - | - | - | - | - | (5,319) |
| Federal credit reduction | - | 144,044 | - | 144,044 | - | - |
| Payments on federal advances | - | (144,044) | - | (144,044) | - | - |
| Total noncash investing, capital, and financing activities | <u>\$ 16,208</u> | <u>\$ (8,310)</u> | <u>\$ -</u> | <u>\$ 7,898</u> | <u>\$ (5,319)</u> | |



FIDUCIARY FUND FINANCIAL STATEMENTS



Individual fund financial statements begin on the following pages:
Pension (and Other Employee Benefit) Trust Funds, page 198.
Private Purpose Trust Funds, page 206.
Agency Funds, page 209.

Michigan

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

SEPTEMBER 30, 2011

(In Thousands)

| | PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS | PRIVATE PURPOSE TRUST FUNDS | AGENCY FUNDS |
|--|---|--------------------------------------|-------------------|
| ASSETS | | | |
| Cash | \$ - | \$ 2,083 | \$ 42,509 |
| Equity in common cash (Note 5) | 253,428 | 174,218 | 9,770 |
| Receivables: | | | |
| From participants | 219,822 | - | - |
| From employers | 310,103 | - | - |
| Other | 15,165 | - | - |
| Interest and dividends | 7,961 | 1,548 | - |
| Due from other funds (Note 18) | 110,205 | - | - |
| Due from component unit | 1,106 | - | - |
| Due from other governmental | 88,672 | - | - |
| Sale of investments | 395 | - | - |
| Investments at Fair Value (Note 8): | | | |
| Short term investments | 1,956,692 | - | - |
| Fixed income | 7,182,224 | 20,263 | - |
| Domestic equities | 13,504,225 | - | - |
| Real estate | 4,970,108 | - | - |
| Alternative investments | 10,724,170 | - | - |
| International equities | 5,887,001 | - | - |
| Absolute return | 2,957,490 | - | - |
| Mutual funds | 1,335,101 | 2,337,408 | - |
| Pooled investment funds | 2,851,554 | - | - |
| Separate accounts | 252,578 | - | - |
| Guaranteed funding agreements | - | 263,426 | - |
| Securities lending collateral (Note 8) | 5,404,146 | - | - |
| Other current assets | - | 6,503 | 1 |
| Other noncurrent assets | - | 625 | 371,462 |
| Total assets | \$ 58,032,144 | \$ 2,806,074 | \$ 423,742 |
| LIABILITIES | | | |
| Warrants outstanding | \$ 5,629 | \$ 2,398 | \$ - |
| Accounts payable and other liabilities | 452,420 | 8,964 | 51,470 |
| Amounts due to other funds (Note 18) | 3,717 | - | 810 |
| Obligations under security lending | 6,733,861 | - | - |
| Other long-term liabilities | - | - | 371,462 |
| Total liabilities | \$ 7,195,627 | \$ 11,363 | \$ 423,742 |
| NET ASSETS | | | |
| Net assets held in trust for pension, postemployment health-care, deferred compensation participants, and other purposes | <u>\$ 50,836,517</u> | <u>\$ 2,794,711</u> | |
| Reconciliation of Net Assets Held in Trust: | | | |
| Pension benefits (Note 10) | \$ 46,211,924 | \$ - | |
| Postemployment health-care benefits (Note 11) | 1,600,714 | - | |
| Deferred compensation participants (Note 17) | 3,023,879 | - | |
| Other purposes | - | 2,794,711 | |
| Total net assets held in trust for benefits and other purposes | <u>\$ 50,836,517</u> | <u>\$ 2,794,711</u> | |

The accompanying notes are an integral part of the financial statements.

Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS | PRIVATE PURPOSE TRUST FUNDS |
|--|---|--------------------------------------|
| ADDITIONS | | |
| Contributions: | | |
| From participants | \$ 982,228 | \$ 996,469 |
| From employers | 2,939,904 | - |
| From clients | - | 64,081 |
| From gifts, bequests, and endowments | - | 37,736 |
| From other plans | 154 | - |
| From other governmental | 233,247 | - |
| From other systems | 6,177 | - |
| Investment Income: | | |
| Net appreciation (depreciation) in fair value of investments | 796,487 | (48,228) |
| Interest, dividends, and other | 1,148,607 | 55,271 |
| Securities lending income | 94,591 | - |
| Less Investment Expense: | | |
| Investment activity expense | 166,393 | - |
| Securities lending expense | 20,916 | - |
| Net investment income (loss) | <u>1,852,377</u> | <u>7,043</u> |
| Escheated property | - | 143,174 |
| Miscellaneous income | <u>4,673</u> | <u>79</u> |
| Total Additions | <u>6,018,760</u> | <u>1,248,583</u> |
| DEDUCTIONS | | |
| Benefits paid to participants or beneficiaries | 5,363,797 | 771,221 |
| Medical, dental, and life insurance for retirees | 1,401,963 | - |
| Refunds and transfers to other systems | 367,243 | - |
| Amounts distributed to clients, claimants, or third parties | - | 167,082 |
| Administrative expense | 171,603 | 12,457 |
| Transfers to other funds | <u>189</u> | <u>-</u> |
| Total Deductions | <u>7,304,794</u> | <u>950,761</u> |
| Net increase (decrease) | <u>(1,286,034)</u> | <u>297,822</u> |
| Net assets - Beginning of fiscal year | <u>52,122,551</u> | <u>2,496,890</u> |
| Net assets - End of fiscal year | <u>\$ 50,836,517</u> | <u>\$ 2,794,711</u> |
| Reconciliation of Net Increase in Assets: | | |
| Net increase (decrease) in assets held in trust for pension benefits | \$ (1,455,460) | \$ - |
| Net increase (decrease) in assets held in trust for postemployment benefits | 480,380 | - |
| Net increase (decrease) in assets held in trust for deferred compensation participants | (310,954) | - |
| Net increase (decrease) in assets held in trust for other purposes | - | 297,822 |
| Total net increase (decrease) | <u>\$ (1,286,034)</u> | <u>\$ 297,822</u> |

The accompanying notes are an integral part of the financial statements.

COMPONENT UNIT FINANCIAL STATEMENTS



Major Funds

MICHIGAN EDUCATION TRUST

The Michigan Education Trust (MET) operates a prepaid tuition program. A purchaser enters into a contract with MET which provides that in return for a specified actuarially determined payment, MET will provide a Michigan child's undergraduate tuition at any Michigan public university or community college. The amount the purchaser is required to pay is based on several factors, among them are tuition costs, the child's age and grade in school, anticipated investment earnings, tuition rate increases, and the type of contract purchased.

Michigan Compiled Laws Section 390.1425, the Michigan Education Trust Act, created MET. MET is governed by a nine-member board that consists of the State Treasurer and eight other individuals appointed by the Governor with the advice and consent of the Senate. Although MET is administratively located within the Michigan Department of Treasury, the law provides its assets are not to be considered assets of the State and are not to be loaned or otherwise transferred or used by the State for any purpose other than the purposes specified in the law. The law and contracts also specifically provide that the State is not liable if MET becomes actuarially unsound. In that event, the contracts provide for refunds to participants.

MICHIGAN FINANCE AUTHORITY

Executive Order 2010-2 created the Michigan Finance Authority (MFA) to consolidate certain Michigan public finance authorities. Functions related to borrowing money or the issuance of bonds or notes of the Michigan Strategic Fund, Michigan Forest Finance Authority, and Land Bank Fast Track Authority were also consolidated into MFA. A seven-member Board of Trustees consisting of the State Treasurer and six appointees of the Governor with advice and consent of the State Senate governs the Authority.

The following entities, reported prior to fiscal year 2010 as discretely presented component units of the State, were transferred to MFA by Executive Order 2010-2: Michigan Municipal Bond Authority, Michigan Higher Education Assistance Authority, Michigan Higher Education Facilities Authority, Michigan Higher Education Student Loan Authority, Michigan Public Educational Facilities Authority, and Michigan State Hospital Finance Authority. The Michigan Tobacco Settlement Finance Authority, reported prior to fiscal year 2010 as a blended component unit, was also transferred to MFA. The governing bodies of each of these authorities were abolished.

MFA provides sources of funding for loans to governmental units, school districts, and nonpublic nonprofit institutions of higher education, healthcare corporations and facilities. Additionally, MFA assists governmental units in financing and marketing municipal debt and tax-exempt bonds. The Authority also enhances the student loan efforts of Michigan private lenders by making loans to students and their parents, and acquiring loans previously made. MFA may not create debt or liabilities on behalf of the State or pledge the full faith and credit of the State.



MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Michigan Compiled Laws Section 125.1421 created the Michigan State Housing Development Authority (MSHDA) to issue notes and bonds to finance housing for sale or rental to families with low or moderate incomes and to finance home improvements. MSHDA is also the administrator of various "Section 8" housing programs in Michigan for the U.S. Department of Housing and Urban Development. The Governor appoints MSHDA's board members.

CENTRAL MICHIGAN UNIVERSITY AND WESTERN MICHIGAN UNIVERSITY

Central Michigan University and Western Michigan University are the two major universities of the ten universities included in this report. They are legally separate entities whose governing boards are appointed by the Governor and for which the State is therefore, defined as legally accountable. Excluded from this report are three other universities (University of Michigan, Michigan State University, and Wayne State University) whose board members are elected by the voters and, therefore, considered separate special purpose governments.

Non-Major Funds

The non-major component unit - authorities are presented beginning on page 214.

The non-major component unit - State universities are presented beginning on page 220.

Michigan

STATEMENT OF NET ASSETS
COMPONENT UNITS
 SEPTEMBER 30, 2011
 (In Thousands)

| | AUTHORITIES | | | |
|--|---------------------------------|-----------------------------------|---|-------------------|
| | MICHIGAN EDUCATION TRUST | MICHIGAN FINANCE AUTHORITY | MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY | NON-MAJOR |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ 139,283 | \$ 571,599 | \$ 374,481 | \$ 67,096 |
| Equity in common cash (Note 5) | - | 124,820 | - | 68,311 |
| Amounts due from component units | - | - | - | 19,169 |
| Amounts due from primary government | 4,826 | 2,418 | - | 6,000 |
| Amounts due from federal government | - | 3,025 | - | 43,087 |
| Amounts due from local units | - | 1,273,454 | - | - |
| Inventories | - | - | - | 638 |
| Investments (Note 8) | - | 1,002,841 | 189,742 | 20,329 |
| Other current assets | 17,929 | 330,073 | 66,515 | 56,467 |
| Total Current Assets | <u>162,037</u> | <u>3,308,230</u> | <u>630,738</u> | <u>281,096</u> |
| Restricted Assets: | | | | |
| Cash and cash equivalents | - | - | - | 27,730 |
| Investments | - | - | - | 2,381 |
| Mortgages and loans receivable | - | - | - | - |
| Advances to primary government | - | 856,789 | - | 1,500 |
| Amounts due from local units | - | 3,077,644 | - | - |
| Mortgages and loans receivable | - | 1,409,491 | 2,330,103 | 58,359 |
| Investments (Note 8) | 638,311 | 1,004,007 | 687,159 | 170,611 |
| Capital Assets (Note 9): | | | | |
| Land and other non-depreciable assets | - | - | - | 15,582 |
| Buildings, equipment, and other depreciable assets | - | - | - | 48,178 |
| Less accumulated depreciation | - | - | - | (27,751) |
| Infrastructure | - | - | - | 102,722 |
| Construction in progress | - | - | - | 198 |
| Total capital assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>138,928</u> |
| Other noncurrent assets | 48,366 | 82,719 | 273,791 | 205,369 |
| Total Assets | <u>\$ 848,714</u> | <u>\$ 9,738,881</u> | <u>\$ 3,921,791</u> | <u>\$ 885,973</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | \$ - | \$ - | \$ - | \$ 2,384 |
| Accounts payable and other liabilities | - | 10,244 | 22,500 | 62,901 |
| Amounts due to component units | - | - | - | 18,675 |
| Amounts due to primary government | - | - | - | 3,770 |
| Bonds and notes payable (Note 14) | - | 1,362,414 | 129,160 | 2,460 |
| Interest payable | - | 104,203 | 13,737 | 3,813 |
| Deferred revenue | - | - | - | 7,406 |
| Current portion of other long-term obligations | 119,011 | 5,550 | - | 3,355 |
| Total Current Liabilities | <u>119,011</u> | <u>1,482,411</u> | <u>165,396</u> | <u>104,764</u> |
| Deferred revenue | - | - | - | 484 |
| Bonds and notes payable (Note 14) | - | 6,487,786 | 2,463,412 | 204,687 |
| Noncurrent portion of other long-term obligations | 934,297 | 26,293 | 568,647 | 6,508 |
| Total Liabilities | <u>\$ 1,053,309</u> | <u>\$ 7,996,489</u> | <u>\$ 3,197,455</u> | <u>\$ 316,443</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ - | \$ - | \$ 137,116 |
| Restricted For: | | | | |
| Education | - | - | - | - |
| Construction and debt service | - | 2,559,654 | 423,830 | 4,366 |
| Other purposes | - | - | 24,616 | 238,072 |
| Funds Held as Permanent Investments: | | | | |
| Expendable | - | - | - | - |
| Nonexpendable | - | - | - | - |
| Unrestricted | (204,594) | (817,262) | 275,889 | 189,977 |
| Total Net Assets | <u>\$ (204,594)</u> | <u>\$ 1,742,392</u> | <u>\$ 724,335</u> | <u>\$ 569,530</u> |

The accompanying notes are an integral part of the financial statements.

Michigan

STATE UNIVERSITIES

| CENTRAL MICHIGAN UNIVERSITY | WESTERN MICHIGAN UNIVERSITY | NON-MAJOR | TOTALS |
|-----------------------------------|-----------------------------------|----------------|------------------|
| \$ 67,280 | \$ 40,300 | \$ 276,258 | \$ 1,536,297 |
| - | - | - | 193,131 |
| - | - | 5 | 19,174 |
| 52,348 | 19,930 | 143,145 | 228,666 |
| 625 | 4,247 | 17,032 | 68,016 |
| - | 109 | 37 | 1,273,600 |
| 7,048 | 6,014 | 12,163 | 25,862 |
| - | 38,727 | 82,148 | 1,333,787 |
| 31,905 | 40,646 | 71,885 | 615,421 |
| 159,206 | 149,973 | 602,674 | 5,293,955 |

| | | | |
|-------------------|---------------------|---------------------|----------------------|
| - | - | 32,549 | 60,279 |
| 52,832 | 193,575 | 238,322 | 487,110 |
| 6,734 | - | 31,255 | 37,988 |
| - | - | - | 858,289 |
| - | - | - | 3,077,644 |
| - | 9,603 | 30,374 | 3,837,931 |
| 233,657 | 107,738 | 551,078 | 3,392,560 |
| 12,994 | 21,400 | 92,294 | 142,269 |
| 721,432 | 1,052,924 | 3,485,924 | 5,308,458 |
| (322,116) | (435,171) | (1,372,937) | (2,157,974) |
| - | - | - | 102,722 |
| 24,417 | 37,652 | 136,316 | 198,583 |
| 436,727 | 676,804 | 2,341,597 | 3,594,057 |
| 7,002 | 86,887 | 63,696 | 767,829 |
| \$ 896,159 | \$ 1,224,581 | \$ 3,891,544 | \$ 21,407,643 |

| | | | |
|-------------------|-------------------|---------------------|----------------------|
| \$ - | \$ - | \$ - | \$ 2,384 |
| 59,706 | 56,389 | 201,716 | 413,456 |
| - | - | - | 18,675 |
| 497 | 50 | 1,682 | 5,999 |
| 7,112 | 11,330 | 27,442 | 1,539,917 |
| 1,395 | 1,666 | 7,247 | 132,061 |
| 13,064 | 8,021 | 54,276 | 82,768 |
| 139 | 6,149 | 14,538 | 148,743 |
| 81,914 | 83,605 | 306,900 | 2,344,002 |
| - | - | 4,791 | 5,275 |
| 147,347 | 301,875 | 1,020,362 | 10,625,469 |
| 31,441 | 165,006 | 126,095 | 1,858,287 |
| \$ 260,702 | \$ 550,486 | \$ 1,458,148 | \$ 14,833,033 |

| | | | |
|-------------------|-------------------|---------------------|---------------------|
| \$ 282,268 | \$ 387,577 | \$ 1,322,013 | \$ 2,128,974 |
| 68,154 | 11,267 | 131,655 | 211,077 |
| 8,917 | - | 36,272 | 3,033,038 |
| 44 | 173,186 | 29,385 | 465,302 |
| - | - | 73,024 | 73,024 |
| - | 62,834 | 218,644 | 281,478 |
| 276,074 | 39,231 | 622,403 | 381,717 |
| \$ 635,456 | \$ 674,095 | \$ 2,433,396 | \$ 6,574,610 |

Michigan

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| <u>FUNCTIONS/PROGRAMS</u> | <u>PROGRAM REVENUES</u> | | | | | <u>NET (EXPENSE) REVENUE</u> |
|--|-------------------------|---------------------------------|--|--|---------------------|--------------------------------------|
| | <u>EXPENSES</u> | <u>CHARGES FOR SERVICES</u> | <u>OPERATING GRANTS/ CONTRIBUTIONS</u> | <u>CAPITAL GRANTS/ CONTRIBUTIONS</u> | | |
| Authorities: | | | | | | |
| Michigan Education Trust | \$ 107,563 | \$ 91 | \$ 2,016 | \$ - | \$ (105,456) | |
| Michigan Finance Authority | 358,549 | 314,991 | 341,107 | - | 297,550 | |
| Michigan State Housing Development Authority | 947,734 | 194,836 | 764,015 | - | 11,118 | |
| Non-Major | 337,383 | 37,623 | 190,779 | 2,786 | (106,196) | |
| State Universities: | | | | | | |
| Central Michigan University | 400,873 | 314,715 | 22,107 | 3,544 | (60,506) | |
| Western Michigan University | 531,294 | 323,846 | 30,965 | 3,160 | (173,324) | |
| Non-Major | 1,750,049 | 1,078,310 | 206,328 | 41,631 | (423,780) | |
| Total | <u>\$ 4,433,443</u> | <u>\$ 2,264,412</u> | <u>\$ 1,557,316</u> | <u>\$ 51,121</u> | <u>\$ (560,594)</u> | |

The accompanying notes are an integral part of the financial statements.

Michigan

GENERAL REVENUES

| INTEREST AND INVESTMENT EARNINGS (LOSS) | PAYMENTS FROM STATE OF MICHIGAN | OTHER | CHANGE IN NET ASSETS | NET ASSETS BEGINNING OF YEAR RESTATED | NET ASSETS END OF YEAR |
|--|--|------------------------------|------------------------------|--|---------------------------------|
| \$ - | \$ - | \$ - | \$ (105,456) 297,550 | \$ (99,139) 1,444,842 | \$ (204,594) 1,742,392 |
| 19,574 12,926 | - 122,047 | - 66,270 | 30,692 95,048 | 693,643 474,483 | 724,335 569,530 |
| 36,221 49,572 81,283 | 84,030 109,615 396,431 | 30,420 170,006 162,821 | 90,164 155,870 216,755 | 545,292 518,225 2,216,640 | 635,456 674,095 2,433,396 |
| \$ 199,576 | \$ 712,124 | \$ 429,517 | \$ 780,623 | \$ 5,793,987 | \$ 6,574,610 |

Michigan

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Michigan
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the State conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards. Following is a summary of the significant policies:

Reporting Entity

Michigan was admitted to the Union as the twenty-sixth state in 1837. The State of Michigan is governed under the Constitution of 1963, as amended. The legislative power is vested in a 38-member senate and a 110-member house of representatives; executive power is vested in a governor; and the judicial power is vested exclusively in one court of justice.

For financial reporting purposes, the State of Michigan's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments and agencies, bureaus, boards, commissions, and those authorities that are considered an integral part of the primary government. Component units are legally separate governmental organizations for which the State's elected officials are financially accountable. Component units can also be legally separate, tax-exempt entities that raise and hold economic resources for the direct benefit of a governmental unit.

Financial accountability is defined in GASB Statement No. 14, The Financial Reporting Entity. The State is financially accountable for those entities in which the State appoints a voting majority of an organization's governing authority, and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the State. For those entities in which the State does not appoint a voting majority of the governing authority, GASB Statement No. 14 requires inclusion in the reporting entity if they are fiscally dependent on the State or if it would be misleading to exclude the authority.

GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14, establishes criteria for legally separate, tax-exempt entities that should be reported as component units if all of the criteria are met. Although the State has not identified any organizations that would qualify as direct component units of the State by meeting all of the criteria of GASB Statement No. 39, most of the university component units described later in this note have significant foundations that meet the criteria of GASB Statement No. 39.

Blended Component Units

The State Building Authority (SBA) is a legally separate organization that has a board appointed by the primary government and provides services primarily to benefit the State. Therefore, SBA is reported as though it was part of the primary government, using the blending method.

Discretely Presented Component Units

These types of component units are reported in separate columns or rows in the government-wide financial statements to emphasize that they are legally separate from the government.

The State has the ability to appoint a voting majority of each governing board and is able to impose its will upon these discretely presented component units:

The Michigan Education Trust offers contracts, which, for actuarially determined amounts, provide plan participants with future tuition at institutions of higher education.

The Michigan State Housing Development Authority finances loans for the construction of single and multi-family housing and home improvement projects.

The Michigan Finance Authority provides sources of funding for loans to governmental units, school districts, and nonpublic nonprofit institutions of higher education, healthcare corporations and facilities. The Authority also makes loans and acquires loans made to students and their parents.

The Farm Produce Insurance Authority provides reimbursements to participating producers for losses suffered in the event of a grain dealer's financial failure.

The Land Bank Fast Track Authority receives tax reverted properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

The Mackinac Bridge Authority accounts for the operation of the Mackinac Bridge.

The Michigan Early Childhood Investment Corporation participates with intermediate school districts to establish standards and guidelines for early childhood development activities.

The Michigan Strategic Fund provides business enterprises with additional sources of financing.

Michigan
Notes to the Financial Statements

The State has the ability to appoint a voting majority of each governing board and there is a financial burden/benefit relationship between these entities and the State:

The Mackinac Island State Park Commission operates the Mackinac Island and Michilimackinac State Parks.

The Michigan Economic Development Corporation manages programs to stimulate, coordinate, and advance economic development in the State.

The following entity's relationship with the State would be misleading if it were omitted from the State's reporting entity:

The State Bar of Michigan is a public body corporate whose membership consists of persons licensed to practice law.

Ten of the State's public universities are considered component units because they have boards appointed by the primary government. Their balances and operating results are included with the other discretely presented component units on the government-wide financial statements. The ten universities included in these statements are: Central Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, Saginaw Valley State University, and Western Michigan University. Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate. The State provides significant funding to support these institutions; however, under GASB Statement No. 14 criteria, they are considered fiscally independent, special-purpose governments.

Included in the balances and operating results for most of the university component units is financial activity for fund-raising foundations that contribute to these universities. Although the universities do not control the timing or amount of receipts from their foundations, the majority of resources or income thereon that the foundations hold and invest are restricted to the activities of the respective universities by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of, the specific universities, the foundations are considered component units of the universities and are included in the universities' financial statements.

Significant Transactions

The State's significant transactions with its major discretely presented component units result primarily from providing appropriations to the public universities, including \$84.0 million to Central Michigan University and \$109.6 million to Western Michigan University.

Availability of Financial Statements

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the various component units. To obtain their phone numbers, you may contact the State Budget Office, Office of Financial Management at (517) 373-1010.

Related Organizations

The State's Insurance Commissioner is responsible for appointing the members of the boards of the Michigan Catastrophic Claims Association and the Michigan Property and Casualty Guaranty Association, but the State's accountability for these organizations does not extend beyond making the appointments.

The State's Governor is responsible for appointing the members of the board of the Venture Michigan Fund, a private non-profit corporation. The State's accountability for this organization does not extend beyond the Governor's appointments.

The State's Governor is responsible for appointing a majority of the members of the board of the Education Achievement Authority established through an inter-local agreement between Eastern Michigan University and Detroit Public Schools. The State's accountability for this organization does not extend beyond the Governor's appointments.

Joint Ventures

As discussed in more detail in Note 7, the State participates in two joint ventures. Their financial activities are not included in the State's fund financial statements, but the State's equity interest is recorded as an asset in the Statement of Net Assets.

Jointly Governed Organizations

The State, the University of Michigan, Michigan State University, and Wayne State University appoint members of the board of the Michigan Public Health Institute (MPHI), a non-profit corporation. MPhi was established to plan, promote, and coordinate health services research with a public university or a consortium of public universities in the State. The State does not appoint a majority of the board, has no rights to the assets, and is not responsible for debts of MPhi. Therefore, the State's accountability for MPhi does not extend beyond making the appointments. During fiscal year 2011, the State awarded contracts totaling \$41.0 million to MPhi.

Michigan
Notes to the Financial Statements

The City of Detroit, Charter County of Wayne, and the Department of Community Health of the State of Michigan appoint members of the board of the Detroit Wayne County Health Authority (DWCHA), a public agency. The DWCHA was established to plan, promote, and coordinate health services for at-risk population in the City of Detroit and Wayne County. The State does not appoint a majority of the board, has no right to the assets, and is not responsible for debts of DWCHA; therefore, the State's accountability for DWCHA does not extend beyond making the appointments. During fiscal year 2011, the State awarded contracts totaling \$.5 million to DWCHA.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The **Statement of Net Assets** presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As allowed by GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the State's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The FASB pronouncements issued after November 30, 1989, are not followed in the preparation of the accompanying financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become *susceptible to accrual*; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days. Significant revenues susceptible to accrual include tax revenues and federal grants. Revenues that the State earns by incurring obligations are recognized in the period when all applicable eligibility requirements have been met.

Michigan
Notes to the Financial Statements

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

Financial Statement Presentation

The State reports the following major governmental funds:

The General Fund is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The School Aid Fund's purpose is to aid in the support of the public schools and the intermediate school districts.

The State reports the following major enterprise funds:

The State Lottery Fund accounts for the operations of the State's lottery, bingo, and charitable game operations.

The Michigan Unemployment Compensation Funds receive contributions from employers and provide benefits to eligible unemployed workers.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds – account for specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds – account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds – account for resources used for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude capital-related outflows financed by proprietary or trust funds.

Permanent Funds – report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

Proprietary Fund Types:

Enterprise Funds – report the activities for which fees are charged to external users for goods or services, such as the State's liquor sales. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.

Internal Service Funds – provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include prisoner-built office furnishings; motor pool services; printing, reproduction and mailing services; information technology; risk management; and health-related fringe benefits. In the government-wide financial statements, internal service funds are included with governmental activities.

Fiduciary Fund Types:

Pension (and Other Employee Benefit) Trust Funds – report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other postemployment benefit plans.

Private Purpose Trust Funds – report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include the State's Escheats fund, gifts to the State, and others.

Agency Funds – report assets and liabilities for deposits and investments entrusted to the State as an agent for others.

Fiscal Year-Ends

All funds and discretely presented component units are reported using fiscal years which end on September 30, except for the Michigan State Housing Development Authority and the ten State universities, which utilize June 30 year-ends and the Farm Produce Insurance Authority which has a December 31 year-end.

Michigan
Notes to the Financial Statements

Assets, Liabilities, and Net Assets/Fund Balance

Cash and Cash Equivalents

On the Statement of Cash Flows, the amount reported as "Cash and cash equivalents" is equal to the total of the amounts reported on the Statement of Net Assets as "Cash" and "Equity in Common Cash," less the amount of "Warrants outstanding."

Cash

Cash reported on the Statement of Net Assets and the Balance Sheet consists of petty cash, undeposited receipts, deposits in transit to the Common Cash pool, and cash equivalents such as short-term investments with original maturities of less than three months that are used for cash management, rather than investing activities.

Equity in Common Cash

The State Treasurer maintains centralized management of most State cash resources (not including component units). From the perspective of the various State funds, the pool functions as both a cash management pool and a demand deposit account. The operations and investments of the Common Cash pool are described in Note 5.

Taxes Receivable

Taxes receivable represent amounts due to the State at September 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portion considered "available" (i.e., received by the State within approximately 60 days after year-end) is recorded as revenue; the remainder is recorded as deferred revenue. Application of the measurability and availability criteria regarding taxes is described in Note 6.

Amounts Due From Federal Agencies

For most federally funded programs, revenue is accrued in the same period as related obligations are recorded. In certain programs financed entirely by the federal government, expenditures and related revenues are recognized only to the extent of billings received by fiscal year-end. This treatment, which is generally limited to certain programs within the Department of Education, understates both assets and liabilities, and expenditures and revenues; however, there is no impact on net assets or fund balance.

Inventories

Inventories are valued at cost, primarily using the first-in, first-out flow method. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Investments

Generally, investments are reported at fair value, consistent with the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury obligations are reported at amortized cost. Additional disclosures describing investments are provided in Note 8.

Security Lending Collateral

Securities on loan for cash collateral are reported in the Statement of Net Assets. Liabilities resulting from the security lending transactions are also reported. Additional disclosures describing security lending transactions are provided in Note 8.

Other Assets

Other assets include receivables, amounts held in escrow, and other types of assets not reported on other lines.

Mortgages and Loans Receivable

Mortgages and loans receivable are reported net of unamortized premiums, discounts, deferred loan origination fees, and allowances for possible losses.

Capital Assets

Capital assets, which include land, buildings, equipment, intangibles, and infrastructure assets (i.e., roads, bridges, ramps, and similar items), are reported in the government-wide financial statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide financial statements. Capital assets are reported at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated.

Interest incurred during construction is only capitalized in proprietary funds. Most capital assets are depreciated over their useful lives, using the straight-line depreciation method. However, the State's significant infrastructure assets utilize an alternative accounting treatment in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

Michigan
Notes to the Financial Statements

Additional disclosures related to capital assets and assets acquired through capital leases are provided in Notes 9 and 12, respectively.

Warrants Outstanding

Warrants outstanding represent drafts issued against the State Treasurer's Common Cash pool, which have not yet cleared. These are similar to outstanding checks; however, the issuing funds' balances in the pool are not reduced until warrants are redeemed.

Income Tax Refunds Payable

The amount of collected or accrued personal income tax revenues that will be refunded is estimated and accrued as a General Fund liability. Note 16 more fully describes this liability.

Prize Awards Payable

The State Lottery Fund makes long-term prize awards for certain games, most notable the lotto games. At September 30, 2011, long-term prize awards of \$352.4 million were reported at a present value of \$236.1 million, using discount rates ranging from 3.5% to 8.5%.

Non-installment prize awards and the portion of long-term awards payable during the next fiscal year, totaling \$103.6 million, are included with "Accounts payable and other liabilities" on the Statement of Net Assets.

Deferred Revenue

In the government-wide financial statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

Long-Term Liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Long-term liabilities are more fully described in Notes 13, 14, and 15.

Compensated Absences

In the government-wide financial statements and proprietary fund financial statements, compensated absences are reported as liabilities as required by GASB.

Employees accumulate annual leave (vacation) balances to maximum amounts ranging from 296 to 356 hours. The maximum accumulation that may be paid off is 40 hours less than the total hours that may be accumulated. Employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for annual leave is recorded at the maximum accumulation amounts in accordance with generally accepted accounting principles, as it is probable that the State will compensate employees through paid time off, for the hours earned in excess of the total that may be paid off. The liability for annual leave is valued at 100% of the balance plus the State's share of social security and retirement contributions.

Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation, times their last rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave that increases from 0 to 50%, depending upon the balance of their sick leave hours. Sick leave is valued at 0 to 50% plus the State's share of social security contributions, based on the pay rates in effect as of September 30, 2011.

The State instituted a banked leave time program in fiscal year 2004 whereby eligible employees work a regular schedule but receive pay for a reduced number of hours. The banked leave time program was utilized in fiscal years 2005, 2006, and 2010. The unpaid hours worked accrue to a banked leave time account. Upon an employee's separation, death, or retirement from State service, unused banked leave time hours shall be contributed by the State to the employee's account within the State's 401k plans, and if applicable, to the State's 457 plans. The banked leave liability is valued at the pay rates in effect as of September 30, 2011.

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Notes to the Financial Statements

In the governmental fund financial statements, liabilities for compensated absences are accrued when they are considered "due and payable" and recorded in the fund only for separations or transfers that occur before year-end.

Net Assets/Fund Balance

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund financial statements, and "Fund Balance" on governmental fund financial statements.

Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form, such as inventories, prepaids, and long-term receivables, or legally or contractually required to be maintained intact.

Restricted fund balance includes amounts that are restricted when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the State Legislature through legislation passed into law.

Assigned fund balance includes amounts that are constrained by the State's intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balance are created by the executive branch. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the General Fund and represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance also includes negative residual balances in other funds.

The State's policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted or unrestricted (committed, assigned, or unassigned) resources are available.

Revenues and Expenditures/Expenses

Government-Wide Financial Statements

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (i.e., general government, education, transportation, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

Interest on Long-Term Debt

Interest charges on the State's general long-term liabilities do not qualify as a direct expense of a function and are reported on this line, unless the borrowing is essential to the creation or continuing existence of a program. During fiscal year 2011, interest charges on general long-term liabilities totaling \$50.1 million were reported as functional expenses.

Fund Financial Statements

In the governmental fund financial statements, revenues are reported by sources. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (i.e., federal grants), available only for specified purposes. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current," "Capital outlay," "Intergovernmental-revenue sharing," or "Debt service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Tax expenditures, which represent income tax credit programs that are in substance grants, are also reported as current expenditures. These are described in more detail in Note 16.

Michigan
Notes to the Financial Statements

Capital outlay includes expenditures for capital assets. Intergovernmental-revenue sharing accounts for the distribution of certain tax revenues that are shared with local units based upon constitutional and statutory requirements. Debt service includes both interest and principal outlays related to bonds and payments on capitalized leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (i.e., salaries, depreciation, and purchases for resale). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Other Financing Sources

These additions to governmental fund balances in the fund financial statements include resources and financing provided by bond proceeds, capital leases, and transfers from other funds.

Reimbursements

Reimbursements result when a fund originally making a disbursement receives resources from another fund to which the expenditure/expense is more properly attributable. For example, the State uses this method when the administrative costs of proprietary funds, discretely presented component units, or pension (and other employee benefit) trust funds are appropriated in the General Fund.

Interfund Services Provided and Used

When a sale or purchase of program-related goods and/or services between funds occurs, for a price approximating their external exchange value, the seller reports revenue and the purchaser expenditure or expense, depending upon the fund type.

Transactions between the primary government and a discretely presented component unit are generally classified as revenues and expenses, unless they represent repayments of loans or similar activities.

Other Financing Uses

These reductions of governmental fund resources in fund financial statements normally result from transfers to other funds.

Interfund Activity and Balances

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are 1) activities between funds reported as governmental activities and funds reported as business-type activities (examples include the transfers of profits from the Liquor Purchase Revolving Fund to the General Fund and the State Lottery Fund to the School Aid Fund) and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column (examples include activities between the Department of Treasury [general government line] and the Department of Education [education line]). Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. An example is gas taxes collected by the Department of Transportation but expended by the Department of Natural Resources.

Interfund Balances

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

Michigan
Notes to the Financial Statements

NOTE 2 – FUNDS AND COMPONENT UNITS BY CLASSIFICATION

The following table lists all of the funds and component units whose balances are reflected in this financial report.

Operating funds which are subject to annual appropriation and for which budget and actual schedules are included in this report are identified by an “*”. For each fund or component unit listed, the page number of the first financial statement for that fund or component unit is shown in parenthesis.

PRIMARY GOVERNMENT:

MAJOR FUNDS

Governmental:

General Fund* (p. 34)
School Aid Fund* (p. 34)

Proprietary:

State Lottery Fund (p. 40)
Michigan Unemployment Compensation Funds (p. 40)

NON-MAJOR FUNDS

Governmental:

Special Revenue Funds:

Transportation Related:

Michigan Transportation Fund* (p. 134)
Comprehensive Transportation Fund* (p. 134)

Conservation, Environment, and Recreation Related:

Michigan Conservation and Recreation Legacy Fund* (p. 140)
Michigan Game and Fish Protection Trust Fund (p. 140)
Michigan Nongame Fish and Wildlife Trust Fund* (p. 141)
Forest Development Fund* (p. 141)
Bottle Deposits Fund (p. 141)

Regulatory and Administrative Related:

Homeowner Construction Lien Recovery Fund* (p. 148)
Michigan Employment Security Act – Administration Fund* (p. 148)
Safety Education and Training Fund* (p. 148)
Second Injury Fund (p. 148)
Self-Insurers' Security Fund (p. 149)
Silicosis, Dust Disease, and Logging Industry Compensation Fund (p. 149)
State Construction Code Fund* (p. 149)
Utility Consumer Representation Fund (p. 149)
State Casino Gaming Fund* (p. 149)

Other State Funds:

21st Century Jobs Trust Fund* (p. 158)
Michigan Merit Award Trust Fund* (p. 158)
Children's Trust Fund* (p. 158)
Assigned Claims Facility and Plan Fund (p. 159)
Military Family Relief Fund* (p. 159)
Miscellaneous Special Revenue Funds (p. 159)

Debt Service Funds:

Combined State Trunkline Bond and Interest Redemption Fund (p. 166)
Combined Comprehensive Transportation Bond and Interest Redemption Fund (p. 166)
Recreation and Environmental Protection Bond Redemption Fund (p. 166)
School Loan Bond Redemption Fund (p. 167)
State Building Authority (p. 167)

Capital Project Funds:

State Trunkline Fund* (p. 172)
State Aeronautics Fund* (p. 172)
Combined State Trunkline Bond Proceeds Fund (p. 172)
Combined Comprehensive Transportation Bond Proceeds Fund (p. 172)
Transportation Related Trust Funds (p. 173)
Combined Recreation Bond Fund (p. 173)
State Building Authority (p. 173)
Advance Financing Funds (p. 173)

Permanent Funds:

Michigan Natural Resources Trust Fund* (p. 180)
Michigan State Parks Endowment Fund* (p. 180)
Michigan Veterans' Trust Fund* (p. 180)

Proprietary:

Enterprise Funds:

Attorney Discipline System (p. 186)
Liquor Purchase Revolving Fund (p. 186)

Internal Service Funds:

Correctional Industries Revolving Fund (p. 190)
State Sponsored Group Insurance Fund (p. 190)
Information Technology Fund (p. 190)
Office Services Revolving Fund (p. 191)
Motor Transport Fund (p. 191)
Risk Management Fund (p. 191)

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Notes to the Financial Statements

Fiduciary:

Pension (and other employee benefit) Trust Funds:
State of Michigan Deferred Compensation Funds (p. 198)
Legislative Pension Benefits Fund (p. 198)
Legislative Other Postemployment Benefits Fund (p. 198)
State Police Pension Benefits Fund (p. 198)
State Police Other Postemployment Benefits Fund (p. 199)
State Employees' Pension Benefits Fund (p. 199)
State Employees' Other Postemployment Benefits Fund (p. 199)
Public School Employees' Pension Benefits Fund (p. 199)
Public School Employees' Other Postemployment Benefits Fund (p. 199)
Judges' Pension Benefits Fund (p. 199)
Judges' Other Postemployment Benefits Fund (p. 200)
State of Michigan Defined Contribution Retirement Fund (p. 200)

Private Purpose Trust Funds:
Michigan Education Savings Program (p. 206)
Escheats Fund (p. 206)
Gifts, Bequests, and Deposits Investment Fund (p. 206)
Hospital Patients' Trust Fund (p. 206)

Agency Funds:
Environmental Quality Deposits Fund (p. 209)
Insurance Carrier Deposits Fund (p. 209)
Child Support Collection Fund (p. 209)

DISCRETELY PRESENTED COMPONENT UNITS:

Authorities:

Major Funds:
Michigan Education Trust (p. 50)
Michigan Finance Authority (p. 50)
Michigan State Housing Development Authority (p. 50)

Non-Major Funds:
Farm Produce Insurance Authority (p. 214)
Land Bank Fast Track Authority (p. 214)
Mackinac Bridge Authority (p. 214)
Mackinac Island State Park Commission (p. 214)
Michigan Early Childhood Investment Corporation (p. 215)
Michigan Economic Development Corporation (p. 215)
Michigan Strategic Fund (p. 215)
State Bar of Michigan (p. 215)

State Universities (1):

Major Funds:
Central Michigan University (p. 51)
Western Michigan University (p. 51)

Non-Major Funds:
Eastern Michigan University (p. 220)
Ferris State University (p. 220)
Grand Valley State University (p. 220)
Lake Superior State University (p. 220)
Michigan Technological University (p. 221)
Northern Michigan University (p. 221)
Oakland University (p. 221)
Saginaw Valley State University (p. 221)

- (1) Michigan State University, the University of Michigan, and Wayne State University are not included in the State's reporting entity because they have separately elected governing boards and are legally separate from the State. The State provides significant funding to support these institutions; however, under GASB Statement No. 14, The Financial Reporting Entity criteria, they are considered fiscally independent special-purpose governments.

NOTE 3 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Major Constitutional and Statutory Provisions

Balanced Budget Requirements

Article 5 of the State Constitution mandates that the executive budget recommend spending limits for operating funds to the Legislature that are within available resources. Compliance with this is demonstrated in the executive budget and budget bills for each fiscal year.

Article 4 of the State Constitution mandates the Legislature to enact appropriations for each operating fund that do not exceed that fund's revenue estimates, including beginning fund balance.

Compliance with this requirement is demonstrated in schedules included in the annual appropriation acts, usually the "General Government" appropriation act. When it appears that revenue will fall below the estimates on which the appropriations are based, the Governor is required to recommend spending reductions as necessary to avoid a year-end deficit.

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Notes to the Financial Statements

Local Spending Requirements

Article 9, Section 30, of the State Constitution requires that State spending to, or on behalf of, local units of government shall not fall below a specified percentage of total State spending. The percentage, recalculated effective with fiscal year 1993, is 48.97%.

Final calculations establishing the State's compliance with this constitutional provision for fiscal year 2011 are not yet complete. For fiscal year 2010, the most recent year for which final calculations are available, the proportion of total State spending paid to local units of government was determined to be 56.32%, reflecting payments that exceeded the minimum required by \$1.9 billion. The State expects that payments to local units of government will exceed the minimum requirement for fiscal year 2011.

Revenue Limits

Article 9, Section 26, of the State Constitution restricts State revenues to a ceiling that is based upon revenues as a proportion of total personal income for the State. The base year ratio, determined in fiscal year 1979, in relation to calendar year 1977 personal income, is 9.49%. Both the constitutional language and implementing statutes provide for other adjustments to the revenue and personal income calculations. If revenues exceed the limit by 1% or more, the amount in excess must be refunded to personal income tax payers and payers of the State's Michigan Business Tax. If the limit is exceeded by an amount less than 1%, the excess may be deposited into the State's Budget Stabilization Fund. The calculations determining the State's compliance with this constitutional provision for fiscal year 2011 are not final. For fiscal year 2010, the most recent year for which final calculations are available, total State revenues subject to this limitation were beneath the constitutional limit by \$7.6 billion. The State expects that total State revenues subject to the limitation will not exceed the limit for fiscal year 2011.

Budget Stabilization Fund

The Counter-Cyclical Budget and Economic Stabilization Fund ("Budget Stabilization Fund" or "Rainy Day Fund") was created in 1977 to assist in stabilizing revenue during periods of economic recession. This fund currently operates under Sections 18.1351 - 18.1359 of the Michigan Compiled Laws, as amended. In general, the law requires payments into the fund when real economic growth exceeds 2% and allows withdrawals from the fund when real economic growth is less than 0%. Funds can also be withdrawn when the State's unemployment rate exceeds 8% or upon appropriation to finance capital outlay or other projects, or for other purposes designated by the Legislature. The Counter-Cyclical Budget and Economic Stabilization Fund is accounted for as a subfund of the General Fund where its fund balance is committed.

The following table summarizes the transactions for the fund for fiscal year 2011 (in millions):

| | |
|----------------------------------|---------------|
| Beginning committed fund balance | \$ 2.2 |
| Interest income | - |
| Deposits | - |
| Withdrawals | - |
| | <hr/> |
| Ending committed fund balance | <u>\$ 2.2</u> |

Budgetary Overexpenditures

In the event that expenditures exceed authorization during a year, the department must request a supplemental appropriation for the amount overspent, if that amount exceeds their lapses or if they expect to make payments from prior year authorization in the next fiscal year. There were the following line-item overexpenditures of State departments incurred during the year, which represent noncompliance with State budget laws (in millions):

| | |
|--------------------|----------------|
| General Fund | |
| Community Health | <u>\$ 56.5</u> |
| General Fund Total | <u>\$ 56.5</u> |
| | <hr/> |

NOTE 4 – ACCOUNTING CHANGES AND RESTATEMENTS

Implementation of GASB Statement No. 54

During fiscal year 2011, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to honor constraints imposed upon the use of the resources reported in governmental funds. The new fund balance classifications are discussed in detail in Note 1.

Michigan
Notes to the Financial Statements

GASB Statement No. 54 also provided clarified governmental fund type definitions. As a result, several funds reported in prior years as special revenue funds were determined to no longer meet the special revenue fund definition. The Counter-Cyclical Budget and Economic Stabilization Fund, the School Bond Loan Fund, and the Combined Environmental Protection Bond Fund were reclassified as subfunds of the General Fund. The following transportation related funds were reclassified as capital projects funds: State Aeronautics Fund, State Trunkline Fund, Combined State Trunkline Bond Proceeds Fund, Combined Comprehensive Transportation Bond Proceeds Fund, and Transportation Related Trust Funds. The Combined Recreation Bond Fund – Local Projects balances were moved to the capital projects fund type and are now reported as part of the Combined Recreation Bond Fund, which now includes both state and local projects.

As a result of these fund reclassifications, beginning fund balance was increased in the General Fund by \$18.1 million, decreased in the non-major special revenue fund group by \$704.0 million, and increased in the capital projects fund group by \$688.1 million. The capital projects fund group now includes funds established to account for the outflow of State resources for capital related expenditures of local units of government.

Information Technology Fund

Beginning net assets were decreased by \$5.4 million in the Information Technology Fund, an internal service fund, to reflect a prior period adjustment related to recognition of deferred revenue.

Deferred Compensation Funds and Defined Contribution Retirement Fund

Beginning net assets were decreased by \$13.7 million in the State of Michigan Deferred Compensation Funds and increased by \$13.7 million in the State of Michigan Defined Contribution Retirement Fund to reflect a prior period adjustment related to the reporting of certain participants.

Land Bank Fast Track Authority

The Land Bank Fast Track Authority, a discretely presented component unit, increased its beginning net assets by \$3.6 million to reflect prior period adjustments.

NOTE 5 – TREASURER'S COMMON CASH

General Accounting Policies

The State Treasurer (Treasurer) manages the State's Common Cash pool, which is used by most state funds. The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the pool are not segregated by fund; rather, each contributing fund's balance is treated as equity in the pool, and presented in this report as "Equity in common cash." Many funds, including pension (and other employee benefit) trust funds, use their equity in the pool as a short-term investment vehicle.

All negative balances in the pool are reclassified at year-end as interfund liabilities. If the negative balance is considered long-term, the reclassification is recorded as an advance.

Statute or administrative policy determines whether a particular fund receives or pays interest on its balances in the pool. If a fund does not receive or pay interest, the General Fund receives or absorbs such amounts. The Treasurer has placed a "cap," or limit, on the amount of interest that can be earned by some state funds. These "capped" funds are limited to a maximum rate determined by the Treasurer. For the remaining "uncapped" funds, earnings on positive balances and charges on negative balances are allocated quarterly based upon the average daily balances of the various funds and the average investment earnings rate for the quarter. Accrued earnings of the pool are recorded as assets, with the accrual allocated to the various funds' equity in the pool.

Interest revenues on positive balances and interest charges on negative balances are reflected as revenues or expenditures/expenses of each of the participating funds.

Investments and Deposits

The investment authority for the Common Cash pool is found in Sections 21.141 - 21.147 of the Michigan Compiled Laws (MCL). The Treasurer may invest surplus funds belonging to the State in bonds, notes, and other evidences of indebtedness of the United States Government and its agencies and in prime commercial paper. Certificates of deposit are permitted in financial institutions whose principal office is located in the State.

The Treasurer invests excess cash in short-term investments or cash equivalents. The law does not prohibit the Treasurer from entering into repurchase agreements; however, the Treasurer did not use these agreements in managing the pool in fiscal year 2011.

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Notes to the Financial Statements

Statutes provide for certain special state investment programs for which the General Fund is credited (charged) for earnings in excess of (under) those achieved by regular pool investments. To date, these programs have not resulted in any principal losses.

Emergency Financial Assistance Loan Program: This program provides for emergency loans to local units of government, and is the most significant of the special investment programs. The Emergency Financial Assistance Loan Board, established by MCL Section 141.932, administers the program. The Treasurer may not loan more than a combined total of \$5.0 million in any one fiscal year to qualifying cities, villages, or townships in amounts as approved by the Board.

In fiscal year 2000, the Emergency Financial Assistance Loan Board was authorized to approve the lending of up to \$159.9 million to Wayne County to finance the payment of certain obligations to the State. The outstanding balance at September 30, 2011 was \$54.7 million. The interest rate is reset July 1 of each year in accordance with the loan agreement. Effective November 1, 2009, the Wayne County emergency loan was reclassified from an interest-bearing loan to a zero percent loan. The change in interest terms for the loan will be in effect until the debt obligations for the Detroit Regional Convention Facility Authority are retired, or 2039, whichever comes first. Loan repayments by the County are supported by provisions of the loan agreement and legislation that pledge the County's share of a portion of the State taxes collected on cigarette sales. There were no principal repayments made on the loan in fiscal year 2011.

Michigan Sugar Beet Loan Program: MCL Section 21.142e provides for a program in which the State may make no-interest loans from the Common Cash pool to sugar beet growers' cooperatives for the purpose of buying the assets of agricultural processors who are in or have recently been in bankruptcy proceedings.

The loans may not exceed \$5.0 million in total. MCL Section 21.142e was amended, effective March 22, 2007, to extend the loan periods to a maximum of 10 years. Remaining loan balances were repaid during fiscal year 2011 and there were no loans outstanding as of September 30, 2011.

Assets and equities of the Common Cash pool as of September 30 were as follows (in millions):

| Assets | |
|--|-------------------|
| Cash on hand | \$ - |
| Demand deposits | 1,626.6 |
| Time deposits – regular | 2.5 |
| Prime commercial paper – at cost | 1,958.2 |
| Interest receivable | .1 |
| Emergency loans to local units – at cost | 64.7 |
| Michigan Sugar Beet Loan Program | - |
| Total assets | <u>\$ 3,652.1</u> |

| Equities | |
|--|-------------------|
| Fund equities (net) in common cash (1): | |
| Governmental activities | \$ 2,936.8 |
| Business-type activities | 83.2 |
| Fiduciary funds | 437.4 |
| Discretely presented component units (2) | 194.6 |
| Net fund equities | <u>\$ 3,652.1</u> |

- (1) Negative equity balances in the pool are reclassified at year-end as interfund receivables and liabilities. Current balances are included with "Amounts due from other funds" and "Amounts due to other funds" and long-term amounts are classified as interfund advances. Note 18 summarizes interfund receivables and liabilities.
- (2) This balance includes \$1.5 million that is held by the Michigan Guaranty Agency Federal Fund, a fiduciary fund of the Michigan Finance Authority (MFA). While the common cash of this fund is reported in MFA's financial statements, it is not reported in the State's Statement of Net Assets.

The following paragraphs provide disclosures about deposits and investments of the Common Cash pool, as required by Governmental Accounting Standards Board (GASB) Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements as amended by GASB Statement No. 40, Deposit and Investment Risk Disclosures. Please see Note 8 for information about deposits and investments that are not part of the Common Cash pool.

Common Cash Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State's deposits may not be recovered.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

Uncollateralized

Collateralized with securities held by the pledging financial institution, or

Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The Treasurer's policy requires the following criteria to lessen custodial credit risk: all financial institutions holding the State's money must pledge collateral equal to the amount of the account balance for all demand and time deposits, to secure the State's funds; a bank, savings and loan association, or credit union holding State funds must be organized under the laws of Michigan or federal law and maintain a principal office or branch office in the State of Michigan; no deposit in any financial organization may be in excess of 50 percent of the net worth of the organization.

At September 30, 2011, the carrying amount of deposits, including time and demand deposits, was \$1.6 billion. The deposits were reflected in the accounts of the banks at \$1.6 billion. Of the bank balance, \$7.4 million was covered by federal depository insurance and \$1.6 billion was collateralized with securities held by the State's agent in the State's name. There were demand deposits of \$4.7 million exposed to custodial credit risk that were uninsured and uncollateralized. Compensating balances kept in demand deposit accounts to avoid service charges totaled \$1.3 billion at September 30, 2011.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates that will adversely affect the fair value of deposits.

MCL Section 487.714 requires State deposits be held in a financial institution which maintains a principal office or branch office located in the State of Michigan. The State had no Common Cash deposits subject to foreign currency risk at September 30, 2011.

Common Cash Investments

Types of Investments

Common Cash investments include prime commercial paper, certificates of deposit, and emergency municipal loans.

Risk

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. Custodial credit risk, credit risk, and interest rate risk are discussed in the following paragraphs.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either:

The counterparty, or

The counterparty's trust department or agent but not in the government's name.

The Treasurer does not have an investment policy for managing custodial credit risk. At September 30, 2011, Common Cash investments were not exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or another counterparty to an investment will not fulfill its obligations.

Prime commercial paper investments must be rated A-1 or P-1 at the time of purchase as rated by the two major rating services: Standard and Poor's (A-1), and Moody's (P-1). Borrowers must have at least \$400.0 million in commercial paper outstanding, and the Treasurer may not invest in more than 10% of a borrower's outstanding debt. The investments are further limited to \$200.0 million in any borrower, unless the borrower has an A-1+ rating, in which case the investment is not to exceed \$300.0 million.

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Notes to the Financial Statements

Emergency municipal loans are evidenced by unrated notes held by the State in the State's name. At September 30, 2011, prime commercial paper investments were rated at A-1 or P-1.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment.

The Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2011, the fair value of cash equivalents was \$2.0 billion; the weighted average maturity was 17 days.

The Treasurer does not have a policy for controlling interest rate risk regarding the Common Cash special loan programs described earlier. These loan programs are investments created through legislation. Although some interest rate risk exposure exists, this risk is not a consideration when entering into these loan programs.

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent amounts due to the State at September 30, 2011, for revenues earned during the fiscal year that will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." The receivables have been recorded net of allowances for uncollectibles.

Sales, use, Michigan business, and income taxes are accrued to the extent that the related sales, wage, or activity being taxed occurred prior to October 1. Property taxes are accrued if the levy date occurred prior to October 1.

Local units of government, as agents for the State, assess the state education tax, which is a statewide property tax. The state education tax is levied on July 1 and is due and payable at the same time as local unit taxes levied on July 1. The State accrues state education tax revenue received by the State or the local units, on its behalf, during October and November. The accrued telephone and telegraph taxes are due December 1 and were received at approximately that time.

In the government-wide financial statements, a corresponding amount is recorded as revenue using the accrual basis of accounting. In the governmental fund financial statements, revenue is recorded using the modified accrual basis of accounting for amounts due to the State at September 30 (as stated above), that are considered "available" (e.g. received by the State within approximately 60 days after that date). Delinquent taxes are recognized to the extent that they are collected within 12 months. The remainder is recorded as deferred revenue.

Effective January 1, 2008, the State replaced the Single Business Tax (SBT) with the Michigan Business Tax (MBT). Because MBT is a new tax and has significant differences from the former SBT, historical data is not available to accurately estimate a potential tax receivable beyond the 60-day period. Therefore, the accrual and related revenue expected to be collected beyond the 60-day period is not measurable and has not been recorded in this fiscal year.

Taxes receivable as of September 30, consisted of the following (in millions):

| Tax | General Fund | Other Governmental Funds | Total |
|--|-------------------|--------------------------------|-------------------|
| Sales & use | \$ 355.8 | \$ 678.4 | \$ 1,034.3 |
| Individual income | 1,924.4 | 229.5 | 2,153.9 |
| Single business & Michigan business | 705.5 | - | 705.5 |
| State education (property) | - | 1,316.2 | 1,316.2 |
| Telephone & telegraph | 26.5 | - | 26.5 |
| Motor fuel | - | 167.4 | 167.4 |
| Insurance – retaliatory | 65.8 | - | 65.8 |
| Tobacco products | 82.4 | 48.5 | 131.0 |
| Quality assurance assessment | 96.1 | - | 96.1 |
| Other | 26.9 | 24.8 | 51.7 |
| Penalties & interest | 987.6 | - | 987.6 |
| Gross taxes receivable | 4,271.2 | 2,464.8 | 6,736.0 |
| Less allowance for uncollectibles | 1,988.8 | 438.8 | 2,427.6 |
| Total taxes receivable (net) | <u>\$ 2,282.4</u> | <u>\$ 2,026.0</u> | <u>\$ 4,308.4</u> |
| <u>As reported on the financial statements</u> | | | |
| Current Taxes Receivable | \$ 2,108.1 | \$ 1,963.5 | \$ 4,071.6 |
| Noncurrent Taxes Receivable | 174.3 | 62.6 | 236.8 |
| Total Taxes Receivable (net) | <u>\$ 2,282.4</u> | <u>\$ 2,026.0</u> | <u>\$ 4,308.4</u> |

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Notes to the Financial Statements

NOTE 7 – JOINT VENTURES

The State participates in two joint ventures as described below. Joint ventures are not reflected as component units within this report because they do not meet the generally accepted accounting principles criteria for inclusion. Their separately issued financial statements may be obtained by directly contacting the applicable organizations. To obtain their phone numbers, you may contact the State Budget Office, Office of Financial Management, Financial Reporting Section at (517) 373-1010.

Great Lakes Protection Fund

The Great Lakes Protection Fund (GLPF) is a not-for-profit corporation located in Evanston, Illinois. Its purpose is to finance and support research with respect to water quality of the Great Lakes. The eight states bordering the Great Lakes are eligible to become members if they make a required contribution to the endowment of GLPF.

Contribution requirements were established based upon water consumption and usage. Contributions to GLPF are permanently restricted and are not available for disbursement. Michigan is the largest contributor, having made a contribution of \$25.0 million, constituting approximately 31% of the total. Michigan made its required contribution by issuing GLPF a general obligation bond authorized as part of the State's environmental protection bond program. No additional contributions from Michigan will be required.

Two members on GLPF's board of directors represent each of the participating seven member states. The states' respective governors select the board members. Directors control GLPF's financing and budgeting operations, within requirements established by the Articles of Incorporation. One-third of the net earnings on total contributions (after operating expenses) is granted to the respective states in proportion to their contributions to GLPF. Two-thirds of the net earnings are available to GLPF to make other grants. The State's equity interest in GLPF of \$25.0 million is reflected as an asset in the government-wide financial statements.

Sault Ste. Marie Bridge Authority

The International Bridge in Sault Ste. Marie, Michigan is a joint venture of the State and Canadian governments. Effective September 1, 2009, the Sault Ste. Marie Bridge Authority (SSMBA) replaced the Joint International Bridge Authority. SSMBA consists of eight people, four appointed by each government. SSMBA oversees the operations and maintenance of the Bridge. The International Bridge Administration, an administrative entity within the Michigan Department of Transportation, is responsible for the day-to-day operations of the Bridge. SSMBA reimburses the State for costs incurred to provide these services.

For the period ending December 31, 2010 (SSMBA's most recently audited financial statements), its net assets increased by approximately \$1.1 million. The Bridge and one-half of the ancillary assets on Michigan's side of the Bridge, and in addition one-half of the joint funds not required to pay liabilities, and all funds reserved for capital projects on the Michigan half of the Bridge, represent the State's equity interest. The State is obligated to pay one-half of any claims incurred by SSMBA that are not covered by insurance or existing resources. The State's equity interest of \$7.1 million is reflected as an asset in the government-wide financial statements.

NOTE 8 – DEPOSITS AND INVESTMENTS

This note provides information for all deposits and investments except those of the Common Cash pool, which are described in Note 5.

Deposits – Primary Government

Custodial Credit Risk

In addition to equity in the Common Cash pool, some State funds maintain deposits with financial institutions. At present, only the Michigan Unemployment Compensation Funds (MUCF), the Attorney Discipline System (ADS), and the Michigan Education Savings Plan (MESP) maintain these deposits and are potentially exposed to custodial credit risk.

The Unemployment Insurance Agency administers, under the auspices of the federal government, the deposits of the MUCF. Tax collections are deposited in a clearing account as required by the Michigan Employment Security Act. Refunds are paid from that account; after the clearance of vouchers for refunds, all other money remaining in the fund, less amounts needed for refunds and judgments, must be deposited with the Secretary of the Treasury of the United States of America to the credit of the State in the Unemployment Trust Fund, established and maintained pursuant to Section 904 of the Social Security Act, 42 USC 1104. These deposits are maintained in the Federal Reserve Bank. At year-end, the carrying amount of these deposits, excluding those classified as investments, was \$13.5 million. The bank balance of the deposits was \$22.1 million, all of which was covered by federal depository insurance.

The bank deposits of the ADS were \$6.1 million; these deposits were not covered by Federal Deposit Insurance Corporation (FDIC) insurance, but were collateralized. ADS has no policy to address custodial credit risk. It assesses financial institutions' risk levels; only those with acceptable levels of risk are used as depositories.

Michigan
Notes to the Financial Statements

The deposits of the MESP were reflected in bank accounts at \$.2 million; these deposits were covered by depository insurance. The level of risk for each financial institution is evaluated and assessed; only those with an acceptable estimated risk level are used as depositories. MESP has no other policy for controlling this risk.

Investments – Primary Government

The following table shows the carrying amounts and fair values of investments of the primary government by investment type and in total at September 30, 2011:

| Investment Types | Primary Government Total Investments (In millions) | | | |
|---------------------------|--|--|-----------------------|------------------------|
| | Retirement Systems | Deferred Compensation/ Defined Contribution Funds | Other Funds | Total |
| Commercial paper | \$ 2,882.4 | \$ - | \$ - | \$ 2,882.4 |
| Money market funds | - | - | 228.6 | 228.6 |
| Other short-term | - | - | 5.9 | 5.9 |
| Separate accounts | - | 252.6 | - | 252.6 |
| Absolute return | 2,923.9 | - | - | 2,923.9 |
| Government securities | 1,435.2 | - | 499.2 | 1,934.4 |
| Corporate bonds and notes | 5,491.6 | - | 580.5 | 6,072.1 |
| Mutual funds | 74.7 | 1,260.4 | 2,562.4 | 3,897.5 |
| Pooled investment funds | - | 2,851.6 | - | 2,851.6 |
| Equities | 13,185.9 | - | - | 13,185.9 |
| Funding agreements | - | - | 263.4 | 263.4 |
| International | 5,768.1 | - | - | 5,768.1 |
| Real estate | 4,904.8 | - | - | 4,904.8 |
| Alternative | 10,599.3 | - | 2.6 | 10,601.9 |
| Accrued income | 71.8 | - | - | 71.8 |
| Unsettled investments | (81.0) | - | - | (81.0) |
| Total | <u>\$ 47,256.6</u> | <u>\$ 4,364.5</u> | <u>\$ 4,142.7</u> | <u>\$ 55,763.8</u> |

As reported on the Statement of Net Assets

| | |
|------------------------|-----------------------|
| Current investments | \$ 406.0 |
| Noncurrent investments | <u>1,115.6</u> |
| Total Investments | <u>\$ 1,521.6</u> |

As reported on the Statement of Net Assets and Statement of Fiduciary Net Assets

| | Current Investments | Noncurrent Investments | Total |
|--------------------------|-----------------------|------------------------|------------------------|
| Governmental activities | \$ 228.6 | \$ 865.0 | \$ 1,093.5 |
| Business-type activities | 177.4 | 250.7 | 428.1 |
| Fiduciary funds | <u>1,956.7</u> | <u>52,285.5</u> | <u>54,242.2</u> |
| Total Investments | <u>\$ 2,362.7</u> | <u>\$ 53,401.2</u> | <u>\$ 55,763.8</u> |

The amounts above include losses, both realized and unrealized, that were largely the result of volatility in the financial markets, both nationally and world-wide. Despite decreases in fair value, very few principal losses have been sustained, and it is expected that many unrealized losses will be reversed.

Authority

Investment authority for the State's pension (and other employee benefit) trust funds is found in Michigan Compiled Laws (MCL) Section 38.1133. This law allows the State Treasurer, as investment fiduciary, to make diverse investments in stocks, corporate and government bonds and notes, mortgages, real estate, venture capital, and other investments. The law has prudence standards and requires that the assets of a retirement system shall: be invested solely in the interest of the participants and beneficiaries; be made for the exclusive purpose of providing benefits to the participants and the participants' beneficiaries; and defray reasonable expenses of investing the assets of the State system.

The investment authority for other State funds is found in their enabling statutes and/or their bond resolutions where applicable. Except as noted below, the investments of the non-pension (and other employee benefit) trust funds are comprised mostly of United States government securities.

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Notes to the Financial Statements

The State Building Authority makes diverse investments as allowed by State statute and/or bond resolutions.

Investments of MUCF represent their interest in a U.S. Treasury trust fund managed by the Secretary of the Treasury pursuant to Title IX of the Social Security Act, which includes deposits from the unemployment compensation funds of various states. MUCF is credited quarterly with trust fund investment earnings, as computed on a daily basis.

The deferred compensation plans are invested in mutual funds, U.S. Treasury strips, money market funds, and pooled investment funds. During fiscal year 2011, the deferred compensation plans' investment activities were managed by a private investment firm, which invests as directed by members of the plan.

Derivatives

The State Treasurer is also authorized to invest a limited amount of pension (and other employee benefit) trust funds in derivatives to provide additional diversification. Derivatives are used in managing the trust fund portfolios, but uses do not include speculation or leverage of investments. Less than 12% of the total trust funds' portfolio has been invested from time to time in future contracts, swap agreements, and option contracts. State investment statutes limit total derivative exposure to 15% of a fund's total asset value, and restrict uses to replication of returns and hedging of assets.

The State Treasurer has entered into swap agreements with investment grade counterparties with maturity dates ranging from October 2011 to July 2014. Approximately one quarter of the notional amount tied to foreign stock market indices is hedged against foreign currency fluctuations. The swap agreements provide that the System will pay quarterly, over the term of the agreements, interest indexed to the three month London Inter Bank Offer Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. At maturity the trust funds will receive either the increase in the value of the equity indices from the level at the inception of the agreements, or pay the decrease in the value of the indices. U.S. Domestic LIBOR based floating rate notes and other investments earning short-term interest are held to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these dedicated notes and short-term investments.

The value of these synthetic equity structures is a combination of the value of the swap agreements and the value of the notes and short-term investments. The book value represents the cost of the notes and short-term investments. The current value represents the current value of the notes and short-term investments and the change in the value of the underlying indices from the inception of the swap agreements. Current value is used as a representation of the fair value based on the intention to hold all swap agreements until maturity.

Other derivative investments include structured notes, bond future contracts, forwards, and options. The structured notes are with investment grade counterparties and are fully collateralized and pay cash rates on the underlying collateral, as well as providing enhanced index return. Similar to a swap agreement with the prices changing with the underlying index fluctuations, the notes differ due to their daily put option which allows the structure to end and settle before its final maturity in November 2016. Additional details about derivative investments are included in the table below:

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Notes to the Financial Statements

Pension (and Other Employee Benefit) Trust Funds Derivative Investments (In millions)

| Investment and Investment Type | Objective | Notional Value | Investments At Fair Value* | Net Appreciation (Depreciation) In Fair Value** | Fair Value Subject to Credit Risk |
|--|---|-------------------|----------------------------|---|-----------------------------------|
| Structured notes - Absolute return | Enhance passive exposure to the Dow Jones UBS Commodity Total Return Index | \$ 348.2 | \$ 337.0 | \$ (16.6) | \$ 337.0 |
| U.S. Treasury Bond Futures - Fixed income | Enhance management flexibility, manage duration and yield curve exposure | 11.6 | - | .3 | - |
| Options - Absolute return | Use on single securities to provide downside protection and enhance current income | 1.0 | (.1) | .1 | - |
| Swap agreements - International equities | Diversify the trust funds' portfolio by entering into swap agreements that are tied to stock market indices in twenty-two foreign countries | 1,819.2 | 1,989.3 | (164.1) | 228.5 |
| Swap agreements - Equity Investments | Diversify the trust funds' portfolio by entering into swap agreements that are tied to stock market indices in the domestic market | 800.0 | 21.8 | (28.1) | 23.1 |
| Swap agreements - International currency forward opportunistic investments | Diversify the trust funds' portfolio by entering into international currency swap forward agreement | 10.0 | .4 | .4 | .4 |
| Totals | | \$ 2,990.0 | \$ 2,348.5 | \$ (207.9) | \$ 589.1 |

* Located in Statement of Fiduciary Net Assets - Investments at Fair Value

**Located in Net appreciation (depreciation) in fair value of investments - Statement of Changes in Fiduciary Net Assets

Investment Pools

In July 2004, four state retirement systems' (State Employees', State Police, Public School Employees,' and Judges') investments were contributed to an investment pool structure. A pro rata share of the entire pool represents each system's ownership of a portion of the investments in the State's pool.

Repurchase Agreements

As a matter of administrative policy, the State Treasurer makes only limited use of investments in repurchase agreements. No such investments were outstanding at year-end.

Risk

Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, requires certain disclosures regarding policies and practices with respect to the risks associated with investments. The custodial credit risk, credit risk, interest rate risk, foreign currency risk and concentration of credit risk are discussed in the following paragraphs.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either the counterparty, or the counterparty's trust department or agent, but not in the government's name. The State Treasurer does not have a policy for limiting custodial credit risk. As of September 30, 2011, there were no securities exposed to custodial credit risk.

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Notes to the Financial Statements

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Short-term investments for the pension funds are in prime commercial paper and follow the same policy described in Note 5 for this type of investment. The ratings at September 30 are included in the debt investments table.

All long-term fixed income investments, unless unrated, must be investment-grade at the time of purchase, unless specific requirements are met. Investment grade, as defined in MCL Section 38.1132, includes investments in the top four major grades, as determined by two national rating services. The State Treasurer's policy is to use Standard & Poor's (AAA, AA, A, BBB); and Moody's (Aaa, Aa, A, Baa). The primary government's debt investments as of September 30, 2011, are presented below. Note that securities backed by the full faith and credit of the United States Government are excluded.

Michigan
Notes to the Financial Statements

| Investment Type | Debt Investments (In millions) | | | Rating Moody's | |
|--|--------------------------------|--------------|--------------------|----------------|--|
| | Fair Value | Rating S & P | Fair Value | | |
| Pension (and Other Employee Benefit) Trust Funds: | | | | | |
| Retirement Systems: | | | | | |
| Commercial paper | \$ 2,522.4 - | A-1 A-2 | \$ 2,472.4 50.0 | P-1 P-2 | |
| Government securities | | | | | |
| U.S. agencies - sponsored | - 519.9 | AAA AA | 519.9 - | Aaa Aa | |
| Corporate bonds & notes | | | | | |
| 88.3 | AAA | 119.3 | Aaa | | |
| 867.5 | AA | 698.4 | Aa | | |
| 2,490.9 | A | 2,580.4 | A | | |
| 1,300.6 | BBB | 1,257.1 | Baa | | |
| 145.4 | BB | 126.3 | Ba | | |
| 20.2 | B | 27.3 | B | | |
| 10.7 | CCC | 9.3 | Caa | | |
| .2 | CC | 1.1 | Ca | | |
| .4 | D | - | D | | |
| 479.0 | Unrated | 583.9 | Unrated | | |
| International - corporate bonds & notes* | | | | | |
| 817.5 | AA | 1,088.8 | Aa | | |
| 655.0 | A | 441.5 | A | | |
| - | BBB | 183.8 | Baa | | |
| 94.7 | BB | - | Ba | | |
| 341.3 | Unrated | 194.4 | Unrated | | |
| Mutual funds** | | | | | |
| | 32.7 | A | 27.3 | A | |
| Total | \$ 10,386.7 | Unrated | 5.3 | Unrated | |
| | | | \$ 10,386.7 | | |
| Deferred Compensation/Defined Contribution: | | | | | |
| Common trust funds | | | | | |
| 297.0 | Unavailable | \$ 297.0 | Baa - Aaa | | |
| 202.8 | Unrated | 202.8 | Unavailable | | |
| Stable Value Funds | | | | | |
| 30.4 | A | 30.4 | Unavailable | | |
| 1,083.8 | Unrated - AAA | 1,083.8 | Unavailable | | |
| 125.2 | Unavailable | 125.2 | A1/P1 - Aaa | | |
| 197.3 | Unrated - AAA | 197.3 | Unavailable | | |
| Total | \$ 1,936.5 | | \$ 1,936.5 | | |
| | | | | | |
| Other Primary Government Funds: | | | | | |
| Government securities | | | | | |
| U. S. agencies - sponsored | - 171.8 | AAA AA | 46.0 125.8 | Aaa Aa | |
| Corporate bonds & notes | | | | | |
| - | AAA | 1.3 | Aaa | | |
| 128.2 | AA | 122.8 | Aa | | |
| 425.5 | A | 433.8 | A | | |
| 26.8 | BBB | 20.3 | Baa | | |
| - | Unrated | 2.4 | Unrated | | |
| Mutual funds | 1,120.0 | Unrated | 1,120.0 | Unrated | |
| Treasury trust fund pool | 122.6 | Unrated | 122.6 | Unrated | |
| Total | \$ 1,994.9 | | \$ 1,994.9 | | |
| Total Primary Government | \$ 14,318.1 | | \$ 14,318.1 | | |

*International and Equity investment types consist of domestic floating rate notes used as part of a swap strategy.

**Average rating.

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Notes to the Financial Statements

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of those investments.

The State Treasurer's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2011, the fair value of prime commercial paper was \$2.5 billion; the weighted average maturity was 13 days.

The State Treasurer does not have a policy regarding interest rate risk for long-term debt investments. However, the pension trust funds are invested with a long-term strategy with no investments with a maturity of less than one year at the time of purchase. The goal is to balance higher returns while accepting minimum risk for the return. Analyzing the yield curve on individual securities as compared to U.S. Treasuries determines, in part, what is an acceptable risk for the return. Therefore, market conditions such as lower interest rates result in shorter duration; higher interest rates result in longer duration.

As of September 30, 2011, the pension trust funds had the following long-term debt securities:

| Pension (and Other Employee Benefit) Trust Funds Debt Securities (In millions) | | Fair Value | Duration In Years |
|---|--------------------|---------------|----------------------|
| Retirement Systems: | | | |
| Government securities | | | |
| U.S. Treasury bonds | \$ 151.4 | 8.3 | |
| U.S. agencies - backed | 1,188.1 | 3.9 | |
| U.S. agencies - sponsored | 519.9 | 3.0 | |
| Total Governmental | <u>1,859.4</u> | | |
| Corporate bonds & notes | 5,403.2 | 4.3 | |
| International - corporate bonds & notes* | 1,908.6 | .2 | |
| Mutual fund - fixed income | 32.7 | 6.0 | |
| Total | <u>\$ 9,203.8</u> | | |
| Deferred Compensation/Defined Contribution: | | | |
| Common trust funds | | | |
| SSGA bond market index fund | \$ 297.0 | 7.2 | |
| SSGA yield enhanced STIF | 202.8 | - | |
| Total Common Trust Funds | <u>499.8</u> | | |
| Stable Value Funds | | | |
| Traditional GICs/BICs | 30.4 | .6 | |
| Synthetic Contracts | 1,083.8 | 3.8 | |
| SSGA STIF | 125.2 | .1 | |
| Total Stable Value Funds | <u>1,239.5</u> | | |
| Mutual funds | | | |
| PIMCO total return fund | 124.6 | 9.0 | |
| MFS total return fund | 72.7 | 6.4 | |
| Total Mutual Funds | <u>197.3</u> | | |
| Total | <u>\$ 1,936.5</u> | | |
| Total Pension (and Other Employee Benefit) Trust Funds | <u>\$ 11,140.3</u> | | |

*International debt securities contain domestic government and corporate securities as a part of their derivative strategies. The interest rates reset on a quarterly basis for these securities.

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Notes to the Financial Statements

As of September 30, 2011, the primary government, excluding pension trust funds, had the following debt securities:

| Investment Type | Fair Value | Other Funds Debt Securities (In millions) | | | | |
|-------------------------------|------------|--|----------|------------|--------------|--|
| | | Investment Maturities (In years) | | | | |
| | | Less Than 1 | 1 To 5 | 6 To 10 | More Than 10 | |
| U.S. Treasury bonds | \$ 173.8 | \$ 13.2 | \$ 60.4 | \$ 32.6 | \$ 67.5 | |
| Municipal bonds | 125.8 | 35.7 | 67.6 | 14.6 | 7.9 | |
| U.S. bonds – backed | 31.1 | - | .1 | .8 | 30.1 | |
| U.S. agency bonds - sponsored | 46.0 | - | 9.4 | 34.6 | 2.0 | |
| Corporate bonds | 580.5 | - | 204.6 | 362.3 | 13.6 | |
| Mutual funds | 1,120.0 | 192.6 | 9.4 | 906.4 | 11.6 | |
| Total | \$ 2,077.1 | \$ 241.5 | \$ 351.5 | \$ 1,351.3 | \$ 132.8 | |

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments or deposits. The pension trust funds invest in various foreign securities. These investments are limited to 20% of the total assets of the system, and are additionally limited to 5% of the outstanding foreign securities of any single issuer. No investment is allowed in a country that has been identified by the United States State Department as engaging in or sponsoring terrorism. These limits are set forth in MCL Sections 38.1133 and 38.1140. The types of foreign securities include equities, mutual funds, real estate, and limited partnerships. At September 30, 2011, foreign investments were approximately 12.7% of total assets of the systems; total foreign investments were \$6.0 billion. As of September 30, 2011, the pension (and other employee benefits) trust funds held the following investments subject to foreign currency risk:

Pension (and Other Employee Benefit) Trust Funds
Foreign Currency Risk (In millions)

| Currency | Country | Market Value (In U.S. Dollars) | | | |
|--|----------------|---|-------------------------|------------|--------------|
| | | Real Estate and Alternative Investments | Equity and Mutual Funds | Equities | Derivatives* |
| Retirement Systems: | | | | | |
| Americas | | | | | |
| Dollar | Canada | \$ - | \$.1 | \$ - | \$ 5.8 |
| Peso | Mexico | - | 1.9 | - | - |
| Europe | | | | | |
| Euro | European Union | 1,139.7 | 8.2 | 10.0 | (9.3) |
| Franc | Switzerland | - | 87.3 | - | 18.4 |
| Krona | Sweden | - | - | 8.3 | 14.3 |
| Krone | Denmark | - | - | 1.5 | 1.2 |
| Krone | Norway | - | - | - | 4.8 |
| Sterling | United Kingdom | 14.8 | 95.7 | 3.3 | 21.6 |
| Asia/Pacific | | | | | |
| Dollar | Australia | - | - | - | 17.7 |
| Renminbi | China | - | .7 | - | - |
| Dollar | Hong Kong | - | 8.2 | - | .1 |
| Yen | Japan | .8 | - | .4 | 38.3 |
| Dollar | New Zealand | - | - | - | 3.5 |
| Dollar | Singapore | - | 9.5 | 9.4 | (1.7) |
| Won | South Korea | - | - | 7.0 | 7.7 |
| Middle East | | | | | |
| Shekel | Israel | - | 18.2 | - | - |
| Africa | | | | | |
| Rand | South Africa | - | .3 | - | - |
| World-wide | | | | | |
| Various | Various | 908.9 | 40.2 | 3,468.0 | - |
| Total | | \$ 2,064.3 | \$ 270.4 | \$ 3,507.8 | \$ 122.5 |
| Deferred Compensation/Defined Contribution: | | | | | |
| Various | Various | \$ - | \$ 599.2 | \$ - | \$ - |
| Total | | \$ 2,064.3 | \$ 869.6 | \$ 3,507.8 | \$ 122.5 |

*International derivatives' market value exposure to foreign currency risk is the net amount of unrealized gains and unrealized losses. Maturity dates on these investments range from October 2011 through July 2012, with an average maturity of .3 years.

Excluded from this table is \$879.1 thousand of mutual funds held by the Children's Trust Fund that are exposed to foreign currency risk.

Michigan
Notes to the Financial Statements

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments with a single issuer.

Other than obligations issued that are assumed or guaranteed by the United States, its agencies, or United States government-sponsored enterprises, the pension systems are prohibited by MCL 38.1137 from investing in more than 5% of the outstanding obligations of any one issuer or investing more than 5% of a system's assets in the obligations of any one issuer.

At September 30, 2011, there were no investments in any single issuer more than 5% of the system's assets, nor were there any investments totaling more than 5% of the obligations of any one issuer, other than U.S. Government Securities as described above.

Pension trust fund investments represent 92.6% of the total investments of the primary government. Other large holders of investments were the State Lottery Fund (SLF), MESP, and the Michigan Natural Resources Trust Fund.

SLF investments, \$299.5 million, are all in the form of zero coupon U.S. Treasury bonds and State of Michigan Municipal bonds. These investments are held to provide funding for deferred prize awards.

Securities Lending Transactions

Under the authority of MCL Section 38.1133, the State lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The custodian is not liable for any losses unless there is negligence or willful misconduct on its part. State statutes allow the State to participate in securities lending transactions and the State has, by way of an Agreement, authorized Credit Suisse, the agent bank, to lend the State's securities to broker-dealers and banks pursuant to a form of loan agreement. During the fiscal year, the agent bank lent, at the direction of the State Treasurer, the State's securities and received cash (United States) as collateral. Borrowers were required to deliver collateral for each loan equal to (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issues by foreign governments, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans that the agent bank made on its behalf. The agent bank indemnified the State by agreeing to purchase replacement securities, or return cash collateral in the event the borrower failed to return the loaned securities or pay distributions thereon, due to the borrower's insolvency.

Under Master Securities Lending Agreements between the State and each borrower, the State Treasurer and the borrowers have the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in assets held in a collateral account. As of September 30, 2011, the investments had an average weighted maturity to next reset of 3.3 years and an average weighted maturity of 10.8 years. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. At September 30, 2011, the retirement systems had no credit risk exposure to borrowers. The cash received for securities on loan for the State as of September 30, 2011, was \$6.7 billion. The fair market value of assets held in the dedicated collateral account managed by Credit Suisse and held by the custodian for the State as of September 30, 2011, was \$5.4 billion. The carrying amount, which is the fair market value, of securities on loan for the State as of September 30, 2011, was \$6.6 billion.

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Notes to the Financial Statements

At September 30, 2011, the pension trust funds had the following debt investments made from cash received as collateral for securities lent:

| Investment Type | Debt Investments (In millions) | | | |
|--------------------------------------|--------------------------------|--------------|-------------------|----------------|
| | Fair Value | Rating S & P | Fair Value | Rating Moody's |
| Securities Lending Collateral | \$ 520.0 | A-1 | \$ 520.0 | P-1 |
| 1,009.3 | AAA | 979.0 | Aaa | |
| 621.2 | AA | 2,405.1 | Aa | |
| 359.0 | A | 329.1 | A | |
| 1,933.9 | BBB | 179.9 | Baa | |
| - | BB | 30.4 | Ba | |
| 14.2 | B | 14.2 | B | |
| 280.5 | CCC | 218.0 | Caa | |
| - | CC | 62.5 | Ca | |
| 647.0 | Unrated | 647.0 | Unrated | |
| Total | <u>\$ 5,385.2</u> | | <u>\$ 5,385.2</u> | |

Deposits and Investments – Discretely Presented Component Units

Deposits

At year-end, the carrying amount of discretely presented component unit deposits, excluding those classified as investments, was \$570.7 million. The deposits were reflected in the accounts of the banks at \$436.9 million. Of the bank balance, \$339.2 million was uninsured and uncollateralized and therefore exposed to custodial credit risk.

Investments

The investment authority for most discretely presented component units is typically found in their enabling statutes and/or their bond resolutions where applicable. Those component units that are financing authorities generally may invest in government or government-backed securities and deposits. The Michigan Education Trust's investments are subject to an investment agreement with the State Treasurer that allows the Treasurer, acting as agent, to make diverse investments including stocks, bonds, notes, and other investments. Investment policies for the State universities are typically set forth by their governing boards and include a broad range of investment types.

Restricted Assets

Restricted investments on the government-wide Statement of Net Assets, totaling \$487.1 million, represent amounts that are pledged toward the payment of outstanding bonds and notes.

Michigan
Notes to the Financial Statements

The following table summarizes the investment maturities reported by the discretely presented component units (in millions):

| | Fair Value | Investment Maturities (In years) | | | | |
|---|-------------------|----------------------------------|-----------------|-----------------|-------------------|-----------------|
| | | Less Than 1 | 1 To 5 | 6 To 10 | More Than 10 | N/A |
| Time deposits | \$ 35.7 | \$ 28.5 | \$ 7.2 | \$ - | \$ - | \$ - |
| Money market funds | 1,916.0 | 1,903.4 | 4.9 | - | - | 7.7 |
| Commercial paper | 418.0 | 418.0 | - | - | - | - |
| Repurchase agreements | 855.3 | - | 20.4 | 48.7 | 786.2 | - |
| Government securities | 649.9 | 272.7 | 178.0 | 154.2 | 45.1 | - |
| Insured mortgage backed securities | 537.8 | .1 | .3 | 1.4 | 536.0 | - |
| Government backed securities | 23.9 | 2.6 | 4.0 | 2.5 | 10.0 | 4.8 |
| Investment agreements | 11.4 | 4.5 | - | - | 6.9 | - |
| Corporate bonds and notes | 344.8 | 85.7 | 165.4 | 93.3 | .4 | - |
| Equities | 139.1 | 31.1 | .2 | 25.7 | 1.2 | 80.9 |
| Real estate | 5.4 | .7 | - | - | 4.7 | - |
| Venture capital & leveraged buyouts | 69.6 | - | - | 62.7 | 6.9 | - |
| Mutual bond/equity funds | 1,411.0 | 238.1 | 235.0 | 113.3 | 272.6 | 552.0 |
| Pooled investment funds | 48.5 | 48.5 | - | - | - | - |
| Other investments | 145.4 | 6.5 | 5.6 | 27.1 | 98.6 | 7.7 |
| Total Investments | <u>\$ 6,612.1</u> | <u>\$ 3,040.7</u> | <u>\$ 621.0</u> | <u>\$ 528.9</u> | <u>\$ 1,768.4</u> | <u>\$ 653.2</u> |
| Less Investments Reported as "Cash" on Statement of Net Assets | | <u>1,398.7</u> | | | | |
| Total Investments | | <u><u>\$ 5,213.5</u></u> | | | | |
| <u>As Reported on Statement of Net Assets</u> | | | | | | |
| Current investments | \$ | | | | | |
| | | 1,333.8 | | | | |
| Noncurrent restricted investments | | 487.1 | | | | |
| Noncurrent investments | | <u>3,392.6</u> | | | | |
| Total Investments | | <u><u>\$ 5,213.5</u></u> | | | | |

Michigan
Notes to the Financial Statements

NOTE 9 – CAPITAL ASSETS

Primary Government

Summary of Significant Accounting Policies

Methods used to value capital assets

Capital assets, which include property, plant, equipment, intangible items (mineral rights, land rights, and computer software) and infrastructure items (e.g. roads, bridges, ramps, and similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

Capitalization policies

All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment is capitalized when the cost of individual items exceeds \$5 thousand, computer software is capitalized when the cost exceeds \$5 million, and all other capital assets are capitalized when the cost of individual items or projects exceed \$100 thousand.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Items not capitalized and depreciated

The State possesses certain capital assets that have not been capitalized and depreciated, because the assets are held for public exhibition, education, or research in furtherance of public service, rather than financial gain. These assets include works of art and historical treasures such as statues, monuments, historical documents, paintings, forts, and lighthouses, rare library books, miscellaneous capitol-related artifacts and furnishings, and the like.

Depreciation and useful lives

Applicable capital assets are depreciated using the straight-line method, with a half-year's depreciation charged in the year of acquisition and in the year of disposal. Agencies assigned useful lives that were most suitable for the particular assets. Estimated useful lives generally were assigned as follows:

| Asset | Years |
|-------------------|-------|
| Equipment | 2-25 |
| Buildings | 5-50 |
| Infrastructure | 3-40 |
| Land Improvements | 5-40 |
| Intangibles | 8-10 |

Modified approach for infrastructure

The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

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Notes to the Financial Statements

Capital asset activities for the fiscal year ended September 30, 2011, were as follows (in millions):

| Governmental Activities | Beginning Balance | Additions | Deletions | Adjustments and Reclassifications | Ending Balance |
|---|--------------------|-------------------|-------------------|-----------------------------------|--------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 3,385.4 | \$ 34.7 | \$ (2.0) | \$ - | \$ 3,418.1 |
| Land improvements | 16.2 | - | - | - | 16.2 |
| Land rights | 44.5 | .6 | - | - | 45.1 |
| Mineral rights | 19.8 | - | - | - | 19.8 |
| Construction in progress (buildings) | 38.9 | 8.4 | (7.9) | 5.4 | 44.8 |
| Construction in progress (infrastructure) | 1,729.8 | 536.9 | (323.7) | 137.0 | 2,080.0 |
| Infrastructure | 12,743.2 | 384.9 | (207.4) | 124.5 | 13,045.1 |
| Total capital assets, not being depreciated | <u>17,977.7</u> | <u>965.4</u> | <u>(541.0)</u> | <u>267.0</u> | <u>18,669.0</u> |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 153.1 | 11.4 | (1.3) | 1.3 | 164.6 |
| Equipment and vehicles | 788.5 | 12.8 | (26.9) | .5 | 774.9 |
| Computer software (includes projects in progress) | 284.5 | 36.0 | (2.2) | - | 318.3 |
| Buildings | 3,480.3 | 246.0 | (139.9) | (11.5) | 3,575.0 |
| Infrastructure | 776.8 | 29.5 | (3.2) | - | 803.1 |
| Total capital assets, being depreciated | <u>5,483.3</u> | <u>335.7</u> | <u>(173.5)</u> | <u>(9.7)</u> | <u>5,635.9</u> |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (56.0) | (5.1) | .4 | - | (60.7) |
| Equipment and vehicles | (634.8) | (58.3) | 29.8 | 50.2 | (613.1) |
| Computer software | (86.1) | (23.0) | 2.2 | (15.7) | (122.6) |
| Buildings | (1,459.6) | (105.6) | 56.7 | 18.1 | (1,490.4) |
| Infrastructure | (504.9) | (29.3) | 2.0 | - | (532.2) |
| Total accumulated depreciation | <u>(2,741.4)</u> | <u>(221.3)</u> | <u>91.1</u> | <u>52.5</u> | <u>(2,819.1)</u> |
| Total capital assets, being depreciated, net | <u>2,741.9</u> | <u>114.4</u> | <u>(82.4)</u> | <u>42.9</u> | <u>2,816.8</u> |
| Governmental activity capital assets, net | <u>\$ 20,719.6</u> | <u>\$ 1,079.8</u> | <u>\$ (623.4)</u> | <u>\$ 309.8</u> | <u>\$ 21,485.8</u> |

Included in the infrastructure and construction in progress for infrastructure adjustments in the table above are expenditures incurred in prior years for certain types of projects that are now being capitalized but were expensed as maintenance in previous years.

The Department of Corrections has temporarily closed one prison and permanently closed two prisons during fiscal year 2011. The total impairment loss was \$2.7 million. The temporary and permanent impairments pertained to buildings. The Department has no plans to reopen any of the prisons. No impairment loss was reported for the temporary impairment because the impairment is temporary in nature and the historical cost of the building was unchanged in the above table. For all of the permanent impairments, the historical cost of the buildings has been adjusted to the lower of carrying value or fair value in the above table.

| Business - Type Activities | Beginning Balance | Additions | Deletions | Adjustments and Reclassifications | Ending Balance |
|--|-------------------|-------------|-------------|-----------------------------------|----------------|
| Capital assets, being depreciated: | | | | | |
| Equipment | \$ 4.8 | \$.2 | \$ (.1) | \$ - | \$ 4.9 |
| Total capital assets, being depreciated | <u>4.8</u> | <u>.2</u> | <u>(.1)</u> | <u>-</u> | <u>4.9</u> |
| Less accumulated depreciation for: | | | | | |
| Equipment | (4.2) | (.2) | .1 | - | (4.3) |
| Total accumulated depreciation | <u>(4.2)</u> | <u>(.2)</u> | <u>.1</u> | <u>-</u> | <u>(4.3)</u> |
| Total capital assets, being depreciated, net | <u>.6</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>.6</u> |
| Business-type activity capital assets, net | <u>\$.6</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$.6</u> |

Michigan
Notes to the Financial Statements

Depreciation expense was charged to functions of the primary government as follows (in millions):

| | Amount |
|---|----------|
| Governmental Activities: | |
| General government | \$ 28.8 |
| Education | .6 |
| Human services | 7.8 |
| Public safety and corrections | 50.2 |
| Conservation, environment, recreation, and agriculture | 12.1 |
| Labor, commerce, and regulatory | 2.9 |
| Health services | 18.5 |
| Transportation | 40.8 |
| Depreciation on capital assets held by the State's internal service funds charged to the various functions based on their use of the assets | 59.6 |
| Total Depreciation Expenses – Governmental Activities | \$ 221.3 |
| Business-type Activities: | |
| Enterprise | .2 |
| Total Depreciation Expenses – Business-type Activities | \$.2 |

Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in millions):

| | Amount |
|--|------------|
| State Universities: | |
| Land and other non-depreciable assets | \$ 126.7 |
| Buildings, equipment, and other depreciable assets | 5,260.3 |
| Construction in progress | 198.4 |
| Total | 5,585.4 |
| Less accumulated depreciation | (2,130.2) |
| Capital Assets, net – State Universities | 3,455.1 |
| Capital Assets, net – Authorities | 139.0 |
| Capital Assets, Total – Discretely Presented Component Units | \$ 3,594.1 |

NOTE 10 – PENSION BENEFITS

Defined Benefit Pension Plans

PLAN DESCRIPTION

The State of Michigan administers the following defined benefit pension plans:

| Name | Type of Plan | Participating Employers |
|--|-----------------------------|-------------------------|
| Legislative Retirement System (LRS) | Single employer | 1 |
| State Police Retirement System (SPRS) | Single employer | 1 |
| State Employees' Retirement System (SERS) | Single employer | 1 |
| Public School Employees' Retirement System (PSERS) | Cost sharing multi-employer | 714 |
| Judges' Retirement System (JRS) | Cost sharing multi-employer | 125 |
| Military Retirement Plan (MRP) | Single employer | 1 |

Each plan, except MRP, is accounted for in a separate pension trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports, except LRS, may be obtained by writing to the Department of Technology, Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by writing to the Michigan Legislative Retirement System, House Office Building, Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 373-0575.

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Notes to the Financial Statements

As mandated by legislation, all new State of Michigan employees (except Michigan State Police officers) hired on or after March 31, 1997, are members of the State of Michigan Defined Contribution Retirement Plan (Plan) as opposed to the LRS, SERS, and JRS defined benefit plans. Employees hired before that date were given the option of remaining in the defined benefit plan or transferring to the defined contribution plan. The decision is irrevocable and transfers were completed by September 30, 1998. This was a one-time opportunity. With the passage of the legislation permitting the transfer, the LRS, SERS, and JRS defined benefit plans became closed systems.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Contributions from the State are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Methods Used to Value Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Real estate debt is valued on the basis of future principal and interest payments, and is discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Other investments not having an established market are recorded at estimated fair value.

Description of Benefits

State statutes require that the State plans provide certain retirement, disability, death benefits, and annual cost-of-living adjustments to plan members. LRS life insurance benefits are provided through the defined benefit pension plan and are accounted for as pension benefits. The LRS life insurance benefits are paid on an advance-funded basis. The actuarial cost method and actuarial assumptions are the same as for the pension plan.

Contributions and Reserves

SERS members are allowed to purchase service credits by entering into a contract with duration of up to 20 years. At September 30, 2011, the short-term receivable was \$5.7 million and the discounted long-term receivable was \$26.5 million.

Significant Investments

No investment of any of the pension plans comprises 5% or more of the net assets available for benefits. There are no significant investments made in securities issued by the State, nor are there any loans made from the pension plans to the State. Additional disclosures concerning investments are provided in Note 8 and, concerning State Treasurer's Common Cash, in Note 5.

FUNDING POLICY

The Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for each plan.

Plan members for SPRS, SERS, and MRP are not required to contribute to the plans. Plan members for LRS are required to contribute based on the following: for participants prior to January 1, 1995, the required contribution rate is 9%; for participants after January 1, 1995, the required contribution rate is 7%. Plan members for JRS are required to contribute 5.86% (weighted average) of annual covered salary.

For MRP, there is no underlying payroll of participants. Except for five special duty members, retirees receive \$600 in annual pension benefits. Accordingly, the annual required contribution from the State is determined as a dollar amount, not as a percentage of payroll. For fiscal year ending September 30, 2011, this amount was \$3.7 million.

For LRS, SERS, and SPRS, statute requires the employer to contribute to finance the benefits of plan members. These employer contributions are determined annually by the system's actuary and are based upon level-dollar value funding or a level-percent-of-payroll principles so the contribution rates do not have to increase over time. The following are the required contribution rates for the fiscal year ending September 30, 2011: SPRS, 38.5% of annual active payroll; SERS, \$447.9 million; LRS, \$1.9 million.

Michigan
Notes to the Financial Statements

For JRS, the State contributes annually the greater of 3.5% of the aggregate annual compensation of State paid base salaries, or the difference between the total actuarial requirement of current service and unfunded accrued liabilities minus the revenues from court filing fees and member contributions. The following table provides a schedule of annual required employer contributions for JRS.

| Year Ended September 30 | Annual Required Contribution (ARC) | Percentage of ARC Contributed |
|----------------------------|--|----------------------------------|
| 2011 | \$ - | - % |
| 2010 | - | - |
| 2009 | - | - |

ANNUAL PENSION COST AND OTHER RELATED INFORMATION

Annual pension cost and related information for the current year for the State's single employer defined benefit plans is as follows (amounts in millions):

| Annual Pension Cost and Net Pension Obligation: | LRS | SPRS | SERS | MRP* |
|--|----------------|-----------------|------------------|-----------------|
| Annual required contribution | \$ 1.89 | \$ 47.25 | \$ 447.92 | \$ 3.89 |
| Interest on net pension (asset) obligation | - | 3.87 | 42.66 | .47 |
| Adjustment to annual required contribution | - | (3.13) | (47.45) | (1.05) |
| Annual pension cost | 1.89 | 47.99 | 443.13 | 3.32 |
| Contributions made | - | 38.57 | 424.55 | 3.71 |
| Change in net pension asset/obligation | 1.89 | 9.41 | 18.58 | (.39) |
| Net pension (asset) obligation at beginning of fiscal year | .01 | 48.36 | 533.22 | 11.78 |
| Net pension (asset) obligation at end of fiscal year | <u>\$ 1.90</u> | <u>\$ 57.78</u> | <u>\$ 551.80</u> | <u>\$ 11.39</u> |

*For MRP, information provided is based on most recent biennial actuarial valuation.

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multi-year trend information about whether the actuarial value of plan assets for the pension plans is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

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Notes to the Financial Statements

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The early retirement incentive provided in Public Act 185 of 2010, will be reflected in the September 30, 2011, annual actuarial valuation report.

| | LRS | SPRS | SERS | MRP |
|---------------------------------|---|---|---|--------------------------------|
| Latest actuarial valuation date | 9/30/2010 | 9/30/2010 | 9/30/2010 | 9/30/2011 |
| Actuarial cost method | Entry Age | Entry Age | Entry Age | Entry Age |
| Amortization method | Level dollar open | Level percent of payroll closed | Level dollar closed | Level dollar closed |
| Remaining amortization period | 10 years | 26 years | 26 years | 25 years |
| Asset valuation method | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market | Market value |
| Actuarial assumption: | | | | |
| Investment rate of return | 7% | 8% | 8% | 4% |
| Projected salary increases | 4% | 3.5-93.5% | 3.5-12.5% | 3.5% |
| Includes inflation at | 4% | 3.5% | 3.5% | 3.5% |
| Cost-of-living adjustments | 4% annual compounded (non-compounded for legislators who first became members after 1/1/95) | 2% annual non-compounded with maximum annual increase \$500 | 3% annual non-compounded with maximum annual increase \$300 | 3.5% for special duty retirees |

THREE YEAR HISTORICAL TREND INFORMATION

The following table provides a schedule of funding progress for the State's single employer defined benefit plans (amounts in millions):

| | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded (Overfunded) Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------|--------------------------------|--|---|--|--------------------------|---------------------------|---|
| LRS** | 9/30/10 | \$ 159.0 | \$ 172.7 | \$ 13.7 | 92.0% | \$ 1.2 | 1,141.7% |
| | 9/30/09 | 165.8 | 171.4 | 5.6 | 96.7 | 1.2 | 466.7 |
| | 9/30/08 | 170.0 | 169.4 | (0.6) | 100.3 | 1.3 | (44.3) |
| SPRS** | 9/30/10 | 1,202.0 | 1,594.3 | 392.3 | 75.4 | 118.6 | 330.9 |
| | 9/30/09 | 1,238.1 | 1,534.0 | 295.9 | 80.7 | 123.2 | 240.1 |
| | 9/30/08 | 1,265.7 | 1,496.3 | 230.6 | 84.6 | 120.7 | 191.0 |
| SERS** | 9/30/10 | 10,782.3 | 14,860.4 | 4,078.1 | 72.6 | 1,621.7 | 251.5 |
| | 9/30/09 | 11,107.0 | 14,233.7 | 3,126.7 | 78.0 | 1,734.3 | 180.3 |
| | 9/30/08 | 11,402.9 | 13,765.6 | 2,362.8 | 82.8 | 1,763.7 | 134.0 |
| MRP* | 9/30/11 | - | 77.3 | 77.3 | - | .1 | 54,473.0 |
| | 9/30/09 | - | 42.3 | 42.3 | - | .4 | 9,874.0 |
| | 9/30/07 | - | 41.9 | 41.9 | - | .6 | 6,473.0 |

*Actuarial valuation performed biennially.

**The most recent actuarial valuation was performed as of September 30, 2010.

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Notes to the Financial Statements

The following table provides a schedule of annual pension cost and net pension obligation for the State's single employer defined benefit plans (amounts in millions):

| | Year Ended September 30 | Annual Cost | Percentage Contributed | Net Pension Obligation (Asset) |
|-------------|-------------------------------|----------------|---------------------------|--------------------------------------|
| LRS | 2011 | \$ 1.9 | - % | \$ 1.9 |
| | 2010 | .8 | - | 0.0 |
| | 2009 | .4 | 61.0 | (0.8) |
| SPRS | 2011 | 48.0 | 80.4 | 57.8 |
| | 2010 | 42.3 | 89.5 | 48.4 |
| | 2009 | 37.4 | 94.6 | 43.9 |
| SERS | 2011 | 443.1 | 95.8 | 551.8 |
| | 2010 | 414.5 | 89.2 | 533.2 |
| | 2009 | 348.2 | 98.7 | 488.6 |
| MRP | 2011 | 3.3 | 111.7 | 11.4 |
| | 2010 | 3.8 | 95.1 | 11.8 |
| | 2009 | 3.7 | 90.6 | 11.6 |

Defined Contribution Pension Plans

State of Michigan Defined Contribution Retirement Plan

The Plan was established to provide benefits at retirement to employees of the State (except Michigan State Police officers) who were hired after March 31, 1997, and to those members of the SERS (defined benefit), JRS, and LRS who elected to transfer to this Plan. The Plan is administered by the Department of Technology, Management and Budget. The State is required to contribute 4% of annual covered payroll. The State is also required to match employee contributions up to 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Legislature. Employer contributions to the plan for the year totaled \$101.2 million. Participant contributions to the Plan were \$81.4 million. The reports may be obtained by writing to the Department of Technology, Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling (517) 322-5103.

The following investments represent 5% or more of net plan assets at September 30, 2011: Yield Enhanced STIF, \$138.5 million; GIC – Stable Value, \$142.3 million; Daily Bond, \$112.4 million; S & P 500 Index, \$148.9 million; S & P Midcap, \$110.7 million; Dodge & Cox Stock, \$108.1 million; Europacific Growth, \$128.9 million.

Component Units

In addition to the PSERS, the State university component units participate in the Teachers' Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The TIAA-CREF is a defined contribution multiple-employer pension plan. The State university component units are required to contribute between 4% and 15% of annual covered payroll, as determined by each institution's employment agreements. The total contribution to the TIAA-CREF for all State university component units was \$82.5 million for the year ending June 30, 2011.

Additional plan information may be found in the separately issued financial reports of the State university component units.

Effective January 1, 2004, the State Bar of Michigan assumed responsibility for the retirement plans of State Bar employees who participated in the Plan. All monies held in the Plan on behalf of participating State Bar employees were subsequently transferred to the newly established State Bar 401(a) retirement plan and the 457(b) retirement plan. The State Bar of Michigan is required to make minimum contributions and may establish other benefit provisions for their retirement plans. The State Bar of Michigan's contribution to the new plans was \$.3 million for the year ending September 30, 2011.

Additional information for the retirement plan can be obtained by contacting the State Bar at (517) 372-9030.

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Notes to the Financial Statements

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

Other Postemployment Benefit Plans

PLAN DESCRIPTION

The State of Michigan administers the following Other Postemployment Benefit (OPEB) plans:

| Name | Type of Plan | Participating Employers |
|--|-----------------------------|-------------------------|
| Legislative Retirement System (LRS) | Single employer | 1 |
| State Police Retirement System (SPRS) | Single employer | 1 |
| State Employees' Retirement System (SERS) | Single employer | 1 |
| Public School Employees' Retirement System (PSERS) | Cost sharing multi-employer | 714 |
| Judges' Retirement System (JRS) | Cost sharing multi-employer | 125 |
| Life Insurance | Single employer | 1 |

Each plan, except for Life Insurance, is accounted for in a separate OPEB trust fund and also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports, except LRS, may be obtained by writing to the Department of Technology, Management and Budget, Office of Retirement Services, 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909 or by calling the Customer Information Center at (517) 322-5103 or 1-800-381-5111. The LRS report may be obtained by writing to the Michigan Legislative Retirement System, House Office Building, Suite S0927, P.O. Box 30014, Lansing, MI 48909 or by calling (517) 373-0575.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSETS MATTERS

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Contributions from the State are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Methods Used to Value Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Real estate debt is valued on the basis of future principal and interest payments, and is discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Other investments not having an established market are recorded at estimated fair value.

Description of Benefits

State statutes require that the State provide certain other OPEB benefits to many of its retired employees. Health, dental, and vision benefits as well as life insurance coverage are provided to retirees. These benefits are funded on a pay-as-you-go basis. The net assets available for benefits relate to residual balances from funding provided in prior fiscal years.

FUNDING POLICY

The Legislature establishes the extent to which the employer and employees are required to make contributions and establishes the benefit provisions for each plan. The State is not required to fund the plans other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the fiscal year ended September 30, 2011, the State contributed the following amounts (in millions): \$453.0, SERS; \$35.3, SPRS; \$5.2, LRS; \$22.8, Life Insurance. Which included federal on-behalf payments of \$64.8, SERS; \$3.6, SPRS; \$.9, LRS.

Plan members for SPRS are required to contribute 5% of the monthly premium amount for health coverage and 10% for dental and vision coverage. Plan members for SERS are required to contribute 10% of the monthly premium for health, dental, and vision. Plan members for JRS are required to contribute 5% of health care premiums. JRS plan members can also enroll in the vision and dental plans of which they are required to contribute 100% of the premium. Plan members for LRS that are part of the defined benefit plan are not required to contribute and the members of the defined contribution plan are required to contribute 10% of the premiums. Life insurance is provided to retirees with the employer required to contribute 100% of the premiums.

Michigan
Notes to the Financial Statements

ANNUAL OPEB COST AND OTHER RELATED INFORMATION

Annual OPEB cost and related information for the current year for the State's single employer OPEB plans is as follows (amounts in millions):

| | LRS | SPRS | SERS | Life Insurance |
|---|-----------------|------------------|--------------------|-----------------------|
| Annual OPEB Cost and Net OPEB Obligation: | | | | |
| Annual required contribution | \$ 11.82 | \$ 73.69 | \$ 1,020.14 | \$ 63.57 |
| Interest on net OPEB (asset) obligation | .52 | 3.61 | 61.43 | 4.47 |
| Adjustment to annual required contribution | (.47) | (3.75) | (63.93) | (4.50) |
| Annual OPEB cost | 11.86 | 73.54 | 1,017.64 | 63.55 |
| Contributions made | 5.17 | 35.27 | 452.97 | 22.85 |
| Change in net OPEB asset/obligation | 6.69 | 38.27 | 564.67 | 40.71 |
| Net OPEB (asset) obligation at beginning of fiscal year | 12.91 | 90.15 | 1,535.70 | 111.87 |
| Net OPEB (asset) obligation at end of fiscal year | \$ 19.61 | \$ 128.42 | \$ 2,100.37 | \$ 152.58 |

Actuarial Valuations and Assumptions

Actuarial valuations for the OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multi-year trend information about whether the actuarial value of plan assets for the OPEB plans is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

| | LRS | SPRS | SERS | Life Insurance |
|---------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Latest actuarial valuation date | 9/30/2010 | 9/30/2010 | 9/30/2010 | 9/30/2009 |
| Actuarial cost method | Projected Unit Credit | Entry Age | Entry Age | Entry Age |
| Amortization method | Level percent open | Level percent of payroll closed | Level percent of payroll closed | Level percent of payroll closed |
| Remaining amortization period | 30 years | 26 years | 26 years | 28 years |
| Asset valuation method | Market Value | Market Value | Market Value | Market Value |
| Actuarial assumption: | | | | |
| Investment rate of return | 4.5% | 4% | 4% | 4% |
| Includes inflation at | 4% | 3.5% | 3.5% | 3.5% |
| Healthcare cost trend rate | 9% in 2010 grading to 4% in 2019 | 9% Year 1 graded to 3.5% Year 12 | 9% Year 1 graded to 3.5% Year 12 | N/A |

Michigan
Notes to the Financial Statements

THREE YEAR HISTORICAL TREND INFORMATION

The following table provides a schedule of funding progress for the State's single employer OPEB plans (amounts in millions):

| | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded (Overfunded) Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|------------------------|--------------------------|-------------------------------|---------------------------------------|--|--------------------|---------------------|---|
| LRS | 9/30/10 | \$ 15.9 | \$ 155.3 | \$ 139.4 | 10.2% | \$ 11.6 | 1,201.7% |
| | 9/30/09 | 14.6 | 136.9 | 122.3 | 10.7 | 11.7 | 1,044.3 |
| | 9/30/08 | 14.3 | 132.6 | 118.3 | 10.8 | 11.9 | 994.1 |
| SPRS | 9/30/10 | - | 1,055.9 | 1,055.9 | - | 118.6 | 890.5 |
| | 9/30/09 | - | 882.3 | 882.3 | - | 123.2 | 715.9 |
| | 9/30/08 | - | 963.0 | 963.0 | - | 120.7 | 797.7 |
| SERS | 9/30/10 | - | 14,666.0 | 14,666.0 | - | 2,938.0 | 499.2 |
| | 9/30/09 | - | 12,618.4 | 12,618.4 | - | 2,972.1 | 424.6 |
| | 9/30/08 | - | 13,541.6 | 13,541.6 | - | 2,821.5 | 479.9 |
| Life Insurance* | 9/30/09 | - | 964.4 | 964.4 | - | 3,182.3 | 30.3 |
| | 9/30/07 | - | 912.5 | 912.5 | - | 3,131.9 | 29.1 |

*The most recent actuarial valuation was performed as of September 30, 2009 and will be performed biennially.

The following table provides a schedule of annual OPEB cost and net OPEB obligation for the State's single employer OPEB plans (amounts in millions):

| | Year Ended September 30 | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation (Asset) |
|-----------------------|-------------------------|------------------|------------------------|-----------------------------|
| LRS | 2011 | \$ 11.9 | 43.6% | \$ 19.6 |
| | 2010 | 10.9 | 42.9 | 12.9 |
| | 2009 | 8.0 | 55.8 | 6.7 |
| SPRS | 2011 | 73.5 | 48.0 | 128.4 |
| | 2010 | 60.0 | 55.4 | 90.1 |
| | 2009 | 64.0 | 47.2 | 63.4 |
| SERS | 2011 | 1,017.6 | 44.5 | 2,100.4 |
| | 2010 | 869.8 | 44.5 | 1,535.7 |
| | 2009 | 923.4 | 41.6 | 1,053.1 |
| Life Insurance | 2011 | 63.6 | 36.0 | 152.6 |
| | 2010 | 61.5 | 40.8 | 111.9 |
| | 2009 | 57.5 | 36.9 | 75.5 |

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Notes to the Financial Statements

NOTE 12 – LEASES

Accounting Policy

The State leases various assets under non-cancelable leasing arrangements. Leases that constitute rental agreements are classified as operating leases; the resulting expenditures are recognized as incurred over the lease term. Leases that are comparable to purchases are classified as capital leases.

In the government-wide and proprietary fund financial statements, assets and liabilities resulting from capital leases are recorded at lease inception. The principal portion of lease payments reduces the liability; the interest portion is expensed.

For capital leases in governmental funds, other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures. For budgetary purposes, lease payments are only reported as expenditures when paid.

Most leases have cancellation clauses with one to six month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable, because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Some lease agreements include escalation clauses or other contingent rentals.

The State has entered into a few installment purchase agreements. Because the amounts involved are immaterial, and the accounting treatment is similar, such agreements are reported together with capital leases.

Leases that exist between the State and the State Building Authority (SBA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, SBA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide financial statements for the bonds issued by SBA to construct the assets associated with the leases. Future payments to SBA are, therefore, not included in the schedules of lease commitments below. Note 13 provides information on the amount of SBA's bonds outstanding and a schedule of debt service requirements.

During fiscal year 2008 and 2011, the State entered into building lease agreements with the Michigan Strategic Fund (MSF), a discretely presented component unit. The leases were classified as capital leases and are included in the capital lease disclosures below.

Primary Government – Governmental Activities

Rental expenditures incurred under operating leases totaled \$61.8 million during the fiscal year. Payments for capital lease principal, interest, and executory costs totaled \$26.6 million, \$37.6 million, and \$25.0 million, respectively, during the fiscal year. Included in these amounts were payments to MSF for principal, interest, and executory costs totaling \$2.7 million, \$5.6 million, and \$.7 million, respectively.

A summary of the operating and noncancelable capital lease commitments to maturity follows (in millions):

| Year Ended September 30 | Operating Leases | Capital Leases | | | |
|----------------------------|---------------------|-----------------|-----------------|--------------------|-----------------|
| | | Principal | Interest | Executory Costs | Total |
| 2012 | \$ 27.1 | \$ 25.6 | \$ 34.6 | \$ 17.3 | \$ 77.5 |
| 2013 | 20.5 | 24.6 | 32.9 | 16.4 | 73.9 |
| 2014 | 18.1 | 28.2 | 31.1 | 15.8 | 75.0 |
| 2015 | 15.3 | 26.1 | 29.0 | 15.3 | 70.3 |
| 2016 | 9.9 | 23.0 | 26.9 | 14.2 | 64.1 |
| 2017-2021 | 19.3 | 111.7 | 102.3 | 54.2 | 268.3 |
| 2022-2026 | 1.2 | 89.8 | 56.6 | 37.6 | 184.1 |
| 2027-2031 | .4 | 69.5 | 15.7 | 19.2 | 104.4 |
| 2032-2036 | - | 5.3 | 2.1 | 1.8 | 9.1 |
| Thereafter | - | 3.7 | .5 | 1.0 | 5.3 |
| Total | <u>\$ 111.8</u> | <u>\$ 407.5</u> | <u>\$ 331.7</u> | <u>\$ 192.8</u> | <u>\$ 932.0</u> |

The above capital leases relate to governmental activities which include the General Fund, other governmental funds, and the internal service funds. A liability of \$407.5 million has been recorded in the government-wide financial statements for the capital lease principal. Included in this liability are the capital leases between the State and MSF totaling \$204.2 million.

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Notes to the Financial Statements

The historical cost of assets acquired under capital leases, which are included in capital assets on the government-wide financial statements at September 30, follows (in millions):

| | |
|-----------------------------|------------------------|
| Buildings | \$ 443.9 |
| Equipment | <u>81.6</u> |
| Total | 525.5 |
| Accumulated Depreciation | (164.7) |
| Net Buildings and Equipment | <u><u>\$ 360.8</u></u> |

Included in the table above is the historical cost and accumulated depreciation for the capital leases between the State and MSF of \$208.3 million and \$21.7 million, respectively.

Primary Government – Business-Type Activities

Rental expense incurred under operating leases totaled \$.6 million during the fiscal year. There were no capital lease obligations.

A summary of operating lease commitments to maturity follows (in millions):

| Year Ended September 30 | Operating Leases |
|----------------------------|----------------------|
| 2012 | \$.5 |
| 2013 | .5 |
| 2014 | .5 |
| 2015 | .5 |
| 2016 | .4 |
| 2017-2021 | .4 |
| Total | <u><u>\$ 2.7</u></u> |

Discretely Presented Component Units

Operating lease commitments for universities and authorities totaled \$62.2 million. Total capital lease obligations were \$18.3 million, \$10.5 million, and \$0 for principal, interest, and executory costs, respectively, during the fiscal year.

NOTE 13 – BONDS AND NOTES PAYABLE – PRIMARY GOVERNMENT

General Information

General Obligation Bonds and Notes

Article 9, Section 15, of the State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. In addition, debt may be incurred without voter approval for the purpose of providing loans to school districts. General obligation notes to provide temporary financing for such loans are recorded as liabilities in the School Bond Loan Fund, a subfund of the General Fund. General Fund appropriations are made to finance debt principal and interest requirements for all general obligation issues. General obligation bonds are backed by the full faith and credit of the State.

The State Constitution provides that the Legislature may also authorize the issuance of general obligation short-term notes, the principal amount of which may not exceed 15% of undedicated revenues received in the preceding year. The State Constitution also provides that such notes must be repaid within the fiscal year of the borrowing. In fiscal year 2011, the State issued general obligation notes to meet cash flow requirements of the General Fund.

Short-term debt activity for the fiscal year ended September 30, 2011, was as follows (in billions):

| | Beginning Balance | Draws | Repayments | Ending Balance |
|--------------------------|----------------------|--------|------------|-------------------|
| General Obligation Notes | \$ - | \$ 1.1 | \$ 1.1 | \$ - |

Revenue Dedicated Bonds and Notes

Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The transportation related debt is payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the State Constitution. The State's general credit does not support such issues.

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Notes to the Financial Statements

Revenue bonds have been issued by the State Building Authority (SBA) to acquire and/or construct various facilities for use by the State or institutions of higher education. Revenue bonds have also been issued to finance equipment capital lease refinancings and acquisitions. In addition, SBA issues commercial paper notes to fund capital projects prior to bonding. Short-term debt activity for the fiscal year ended September 30, 2011, follows (in millions):

| | Beginning Balance | Draws | Repayments | Ending Balance |
|------------------------|----------------------|----------|------------|-------------------|
| Commercial Paper Notes | \$ 81.3 | \$ 105.2 | \$176.1 | \$10.5 |

Note 14 provides disclosures regarding the bonds and notes payable of the discretely presented component units.

Bonds Issued and Outstanding

General obligation and revenue dedicated bonds issued and outstanding (excluding defeased bonds) at September 30 (in millions) are as follows:

| | Amounts Issued | Outstanding 9/30/2011 | Fiscal Year Maturities | | Average Interest Rate Percentage |
|--|-------------------|--------------------------|---------------------------|--------------|---|
| | | | First Year | Last Year | |
| General Obligation Bonded Debt | | | | | |
| General Obligation Refunding Debt: | | | | | |
| Series 2001 (Refunding) | \$ 183.3 | \$ 114.4 | 2002 | 2016 | 4.76% |
| Series 2002 (Refunding) | 300.7 | 213.5 | 2004 | 2017 | 4.41 |
| Series 2005 A (Refunding) (3) | 86.8 | 86.8 | 2017 | 2021 | 5.00 |
| Series 2005 B (Refunding) (3) | 82.8 | 82.8 | 2013 | 2021 | 5.00 |
| Series 2005 C (Refunding) (3) | 21.1 | 6.2 | 2008 | 2013 | 4.17 |
| Series 2008 A (Refunding) (3) | 200.8 | 191.4 | 2011 | 2019 | 4.94 |
| Series 2008 B (Refunding) (3)(5) | 19.4 | 17.9 | 2011 | 2019 | 4.33 |
| Series 2008 C (Refunding) | 12.2 | 7.3 | 2011 | 2012 | 5.00 |
| Series 2009 A (Refunding) (3) | 64.1 | 64.1 | 2022 | 2026 | 5.65 |
| Series 2009 B (Refunding) (3) | 33.7 | 33.7 | 2012 | 2012 | 4.60 |
| Series 2010 A (Refunding) | 46.6 | 46.6 | 2013 | 2021 | 4.00 |
| Series 2010 B (Refunding) (3)(5) | 89.0 | 89.0 | 2014 | 2016 | 2.21 |
| Recreation and Environmental Protection: | | | | | |
| Series 1989 (1) | 75.0 | 3.3 | 1991 | 2012 | 6.81 |
| Series 1992 (1) | 246.3 | 40.8 | 1994 | 2013 | 5.86 |
| College Savings Bonds – Series 1992 Mini-bonds (1) | .5 | 1.6 | 2012 | 2012 | 6.50 |
| Series 1992 A (1)(2) | 13.9 | 1.7 | 1995 | 2013 | 6.17 |
| Series 1993 (1)(2) | 16.7 | 3.2 | 1996 | 2014 | 5.00 |
| Series 2001 (3) | 56.8 | 6.9 | 2004 | 2012 | 4.82 |
| Series 2003 (5) | 10.0 | 6.0 | 2054 | 2054 | 0.00 |
| Series 2003 A (1)(3) | 200.0 | 24.1 | 2007 | 2013 | 5.00 |
| Series 2006 A (1)(3) | 105.0 | 105.0 | 2014 | 2026 | 4.58 |
| School Loan Bonds (4): | | | | | |
| Series 2008 A (Refunding) | 143.0 | 125.4 | 2010 | 2023 | 4.54 |
| Series 2009 A (Refunding) | 204.1 | 204.1 | 2016 | 2021 | 6.53 |
| Series 2009 B (Refunding) (7) | 193.7 | 119.3 | 2010 | 2030 | 5.58 |
| Series 2010 A | 60.0 | 60.0 | 2012 | 2012 | 2.00 |
| Series 2010 B (Refunding) | 83.8 | 83.8 | 2017 | 2021 | 3.67 |
| Series 2011 A | 150.0 | 150.0 | 2014 | 2023 | 3.72 |
| Total General Obligation Bonded Debt | 2,699.1 | 1,889.2 | | | |

Michigan
Notes to the Financial Statements

| | Amounts Issued | Outstanding 9/30/2011 | Fiscal Year Maturities | | Average Interest Rate Percentage |
|--|-------------------|--------------------------|---------------------------|--------------|---|
| | | | First Year | Last Year | |
| Revenue Dedicated Bonded Debt | | | | | |
| <u>State Park Related:</u> | | | | | |
| 2002 – Gross Revenue Bonds | 15.5 | 10.9 | 2004 | 2023 | 3.58% |
| Total Revenue Dedicated Bonded Debt – State Park Related | 15.5 | 10.9 | | | |
| <u>Transportation Related:</u> | | | | | |
| Tax Dedicated Bonds: | | | | | |
| Comprehensive Transportation Fund Bonds: | | | | | |
| Series 2001 (Series A Refunding) | 27.8 | 22.3 | 2008 | 2022 | 5.01 |
| Series 2002 (Series B) | 82.3 | 4.0 | 2004 | 2012 | 5.13 |
| Series 2003 | 35.0 | 13.9 | 2004 | 2023 | 3.61 |
| Series 2005 (Refunding) | 62.2 | 62.2 | 2009 | 2023 | 5.15 |
| Series 2006 (Revenue and Refunding) | 53.7 | 51.4 | 2007 | 2031 | 4.54 |
| Series 2009 (Refunding) | 42.3 | 42.3 | 2012 | 2019 | 4.11 |
| State Trunkline Fund Bonds: | | | | | |
| Series 1992 (Series A) | 253.6 | 23.5 | 2000 | 2013 | 5.76 |
| Series 1992 (Series B Refunding) | 99.6 | 3.1 | 2000 | 2013 | 5.68 |
| Series 1998 (Series A Refunding) | 377.9 | 194.8 | 2006 | 2019 | 5.03 |
| Series 2001 (Series A) | 308.2 | 7.3 | 2003 | 2012 | 4.96 |
| Series 2002 (Refunding) | 97.9 | 57.8 | 2004 | 2022 | 4.71 |
| Series 2004 (Refunding) | 103.5 | 98.3 | 2006 | 2022 | 4.13 |
| Series 2004 | 185.7 | 49.7 | 2008 | 2019 | 4.36 |
| Series 2005 (Refunding) | 223.0 | 223.0 | 2010 | 2023 | 5.10 |
| Series 2005 (Series B Refunding) | 378.3 | 316.4 | 2010 | 2019 | 4.81 |
| Series 2006 | 244.5 | 195.6 | 2008 | 2022 | 4.74 |
| Series 2009 (Refunding) | 146.2 | 146.2 | 2018 | 2027 | 4.76 |
| Grant Anticipation Bonds: | | | | | |
| Series 2007 | 485.1 | 467.2 | 2009 | 2027 | 4.87 |
| Series 2009 (Series B) | 281.9 | 281.9 | 2012 | 2027 | 7.63 |
| Total Revenue Dedicated Bonded Debt–Transportation Related | 3,488.6 | 2,260.8 | | | |
| <u>State Building Authority:</u> | | | | | |
| 2003 Series I (Refunding) | 659.4 | 345.9 | 2004 | 2018 | 3.79 |
| 2003 Series II (Revenue and Refunding) | 392.6 | 174.5 | 2005 | 2030 | 4.55 |
| 2004 Series I (Revenue and Refunding) | 155.4 | 86.1 | 2005 | 2020 | 4.21 |
| 2005 Series I (Refunding) | 293.4 | 192.3 | 2006 | 2034 | 4.85 |
| 2005 Series II (Revenue and Refunding) | 242.8 | 234.1 | 2007 | 2037 | 4.68 |
| 2006 Series I A Serial | 438.3 | 438.3 | 2014 | 2037 | 4.80 |
| 2006 Series I A Capital Appreciation | 395.3 | 501.8 | 2014 | 2037 | 4.80 |
| 2006 Series I B | 13.7 | 6.0 | 2009 | 2014 | 4.80 |
| 2007 Series I Multi-modal (6) | 96.5 | 45.0 | 2009 | 2032 | 0.14 |
| 2008 Series I (Revenue and Refunding) | 192.3 | 190.6 | 2010 | 2039 | 6.08 |
| 2009 Series I (Refunding) | 222.1 | 200.7 | 2010 | 2027 | 4.88 |
| 2009 Series II | 113.5 | 111.8 | 2011 | 2034 | 4.99 |
| 2011 Series I A (Revenue and Refunding) | 409.6 | 409.6 | 2012 | 2046 | 5.16 |
| 2011 Series I B | 12.2 | 12.2 | 2013 | 2032 | 5.69 |
| 2011 Series II A (Revenue and Refunding) | 180.7 | 180.7 | 2012 | 2042 | 5.23 |
| 2011 Series II B (Revenue and Refunding) (6) | 45.8 | 45.8 | 2044 | 2044 | 0.14 |
| Total State Building Authority Bonded Debt | 3,863.5 | 3,175.3 | | | |
| Total Revenue Dedicated Bonded Debt | 7,367.6 | 5,447.1 | | | |
| Total General Obligation and Revenue Dedicated Bonded Debt | \$10,066.8 | \$ 7,336.3 | | | |

Michigan
Notes to the Financial Statements

- (1) Sections 324.19301 and 324.71301 of the Michigan Compiled Laws (MCL) authorized the issuance of bonds totaling \$800.0 million. As of September 30, 2011, \$791.5 million of such bond proceeds had been received, leaving remaining authorization of \$8.5 million. The sum of the amounts issued in the preceding table differs by the amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.
- (2) The \$13.9 million Series 1992A and the \$16.7 million Series 1993, Recreation and Environmental Protection General Obligation Bonds, were used to provide a contribution of capital to the Michigan Finance Authority (MFA) Municipal Fund, a discretely presented component unit. An outside trustee for MFA is holding the bonds as an investment of MFA; no immediate cash proceeds were provided. The trustee receives the debt service payments on the bonds, which are negotiable instruments held to subsidize water pollution control financing provided by MFA.
- (3) MCL Section 324.95102 authorized the issuance of bonds totaling \$675.0 million. As of September 30, 2011, \$579.4 million of such bond proceeds had been received, leaving remaining authorization of \$95.6 million. The sum of amounts issued in the preceding table differs by the amount of bonds refunded or redeemed, premiums and discounts, and other issuance costs.
- (4) The Multi-Modal School Loan Bond Series bear interest at a commercial paper rate and are remarketed at each maturity. For the future debt service requirements, interest is estimated at the interest rate in effect at year-end. There were no Multi-Modal School Loan Bonds outstanding at September 30, 2011.
- (5) November 2002, voters approved a ballot proposal in which the State would issue \$1.0 billion in general obligations bonds to provide capital, which is then loaned to local units of government for water quality improvement projects. As of September 30, 2011, \$155.7 million of such bond proceeds had been recognized as received, leaving remaining authorization of \$844.3 million. Included in the amount recognized as received is \$100.0 million in bonds issued to a discretely presented component unit, MFA. Although no cash traded hands, MFA (the registered owner of the bonds) is holding the bond document as collateral and issuing their own revenue bonds to generate the capital. This transaction allows the State's General Fund to defer principal and interest costs until future years when the bond is repurchased/redeemed. MFA will fund the principal and interest costs of the revenue bonds until such time that they request the State to honor the general obligation bond document.

On December 18, 2003, the State issued \$100.0 million in bonds (\$10.0 million relating to Strategic Water Quality and \$90.0 million relating to the previously existing State Water Quality Revolving Fund). The \$10.0 million bond relating to Strategic Water Quality includes a repurchase provision that requires the State to repurchase all or any portion of this bond upon 10 days prior written notice from the registered owner, MFA. The State anticipates at this time that if the bond repurchase was acted on, the State would issue long-term debt to finance the repurchase. This bond is being used as collateral by MFA for the Strategic Water Quality bonds being issued by MFA to local governments. The \$10.0 million bond was reduced to a net obligation of \$6.0 million when \$4.0 million of the proceeds from General Obligation Recreation and Environmental Protection Series 2006B were used to refund a portion of the original obligation. For these reasons, the State has recognized the \$6.0 million bond related to Strategic Water Quality as a liability in the entity-wide statements. The \$90.0 million "bond" document issued for the State Water Quality Revolving Fund does not contain the 10 day repurchase provision that the \$6.0 million bond does. Nor is the \$90.0 million "bond" document being used as collateral by MFA. For these reasons, the State has not recognized a liability for the \$90.0 million "bond" document related to the existing State Water Quality Revolving Fund.

- (6) SBA Multi-Modal and variable rate bear interest at a remarketed weekly rate. Estimated interest was computed using the weekly rates as of September 30, 2011.
- (7) This issuance was acquired as an investment by the State Lottery Fund, an enterprise fund, through a public market offering and is reported as part of investments in the fund's statement of net assets.

Michigan
Notes to the Financial Statements

Capital Appreciation Bonds

Capital appreciation and convertible capital appreciation bonds are recorded in the Bonds Issued and Outstanding table and the Changes In Bonds and Notes Payable table at their accreted year-end book value. The table that follows summarizes capital appreciation bonds (in millions):

| | Accreted Book Value | Ultimate Maturity Value | Fiscal Year Maturities | |
|--|---------------------------|-------------------------------|---------------------------|--------------|
| | | | First Year | Last Year |
| General Obligation Bonds: | | | | |
| Series 1989 | \$ 3.3 | \$ 3.4 | 1999 | 2012 |
| Series 1992 | 3.9 | 4.1 | 2000 | 2012 |
| College Savings Bonds – Series 1992 Mini-bonds | 1.6 | 1.7 | 2012 | 2012 |
| Series 2009 B | 119.3 | 158.8 | 2010 | 2030 |
| Revenue Dedicated – Transportation Related: | | | | |
| State Trunkline – Series 1992 A | 23.5 | 24.2 | 2006 | 2013 |
| State Trunkline – Series 1992 B | 3.1 | 3.2 | 2006 | 2013 |
| Revenue Dedicated – State Building Authority: | | | | |
| 2006 Series I A | 501.8 | 891.8 | 2017 | 2031 |

Advance Refundings and Defeasances

The State has defeased certain bonds through advance refunds by placing the proceeds of new bonds (i.e., the "refunding" bonds in the table of bonds issued and outstanding) in irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not recorded as assets or liabilities in these statements and are not included in the other debt tables in this note.

The State has defeased certain bonds through current refundings in which the proceeds of the refunding debt are applied immediately to redeem the debt to be refunded.

The State has defeased certain bonds by placing cash with an escrow agent in a trust to be used for future payment on the debt.

General Obligation

During the year, the State issued fixed rate General Obligation School Loan and Refunding Bonds Series 2010 B for \$83.8 million, maturing in years 2017 to 2021. The bonds were issued for the purpose of refunding certain maturities and making loans to school districts. From the debt proceeds, \$43.1 million was deposited with an escrow agent to refund General Obligation School Loan and Refunding Capital Appreciation Bonds Series 2009 B and \$40.1 million was deposited in the School Loan Revolving Fund. The State also issued fixed rate General Obligation Environmental Program and Refunding Bonds Series 2010 A and 2010 B for \$135.6 million, maturing in years 2013 to 2021. The bonds were issued for the purpose of refunding certain maturities and providing financing for certain environmental programs. From the debt proceeds, \$121.0 million was deposited with an escrow agent to refund various Environmental Protection Bonds, \$10.0 million was deposited in the Clean Michigan Initiative Bond Fund, and \$10.0 million was deposited in the Great Lakes Water Quality Bond Fund. As a result of these refundings, the state's debt service increased by \$90.8 million over the next 10 years. The refundings resulted in an economic gain of \$.8 million.

Revenue Dedicated

On July 12, 2011, the State Building Authority (SBA) issued fixed rate Revenue and Revenue Refunding Bonds Series 2011 I-A and 2011 II-A, and Revenue Refunding Bonds Series 2011 II-B in the amount of \$636.0 million, maturing in years 2012 to 2044. From the proceeds, \$385.1 million was deposited with an escrow agent to refund 2001 Series I, 2005 Series I, and 2007 Series I; \$175.8 million was used to refund commercial paper notes; \$78.1 million was deposited in the Acquisition Fund; and \$5.2 million was deposited in the Debt Service Reserve Fund. As a result of these refundings, SBA's debt service increased by \$30.3 million over the next 23 years. The refundings resulted in an economic gain of \$26.8 million.

Michigan
Notes to the Financial Statements

The following table summarizes the defeased bonds outstanding at September 30 (in millions):

| | Amounts Outstanding |
|--|------------------------|
| Recreation and Environmental Protection: | |
| Series 2001 | \$ 22.3 |
| Series 2003 A | 124.5 |
| Total Recreation and Environmental | <u><u>\$ 146.9</u></u> |
| Comprehensive Transportation Fund Bonds: | |
| Series 2002 B (partial) | \$ 52.9 |
| Series 2003 | 9.9 |
| | <u><u>62.8</u></u> |
| State Trunkline Fund Bonds: | |
| Series 2001 A (partial) | \$ 245.8 |
| Series 2004 (partial) | 85.2 |
| | <u><u>331.1</u></u> |
| Total Transportation Related | <u><u>\$ 393.9</u></u> |
| State Building Authority: | |
| 1997 Series II | \$ 15.9 |
| 2000 (MSP Phase II) | 2.3 |
| 2001 (MSP Phase III) | 12.1 |
| 2002 (MSP Phase IV) | 10.7 |
| 2001 Series I | 59.4 |
| 2001 Series I (Refunding) | 306.4 |
| 2001 Series II | 96.0 |
| 2002 Series III (Refunding) | 164.3 |
| 2003 Series II (Refunding) | 155.8 |
| 2005 Series I (Refunding) | 64.5 |
| Total State Building Authority | <u><u>\$ 887.5</u></u> |

Debt Service Requirements

The following table summarizes debt service requirements for outstanding bonds (in millions):

| Fiscal Years Ending | General Obligation | | State Park and Transportation Related | | State Building Authority | | Total Principal And Interest |
|---------------------------|-------------------------|-----------------------|---|-------------------------|-----------------------------|-------------------------|---------------------------------------|
| | Principal | Fixed Interest | Principal | Fixed Interest | Principal | Interest | |
| 2012 | \$241.3 | \$82.1 | \$118.3 | \$119.9 | \$96.2 | \$121.0 | \$778.7 |
| 2013 | 155.3 | 74.1 | 123.4 | 114.7 | 101.5 | 124.9 | 693.9 |
| 2014 | 170.2 | 67.5 | 129.2 | 108.9 | 106.8 | 119.8 | 702.5 |
| 2015 | 177.0 | 60.9 | 136.1 | 102.0 | 112.4 | 114.4 | 702.8 |
| 2016 | 184.8 | 53.4 | 143.0 | 95.1 | 118.4 | 108.7 | 703.4 |
| 2017-2021 | 729.4 | 153.1 | 784.1 | 359.6 | 599.0 | 478.4 | 3,103.7 |
| 2022-2026 | 249.9 | 22.3 | 675.7 | 170.8 | 655.1 | 403.7 | 2,177.6 |
| 2027-2031 | 15.2 | - | 162.7 | 11.8 | 683.2 | 306.1 | 1,178.9 |
| 2032-2036 | - | - | - | - | 612.2 | 181.7 | 793.9 |
| 2037-2041 | - | - | - | - | 394.1 | 55.1 | 449.1 |
| 2042-2046 | - | - | - | - | 86.5 | 5.1 | 91.5 |
| 2047-2051 | - | - | - | - | - | - | - |
| 2052-2056 | 6.0 | - | - | - | - | - | 6.0 |
| Total | <u><u>\$1,929.1</u></u> | <u><u>\$513.4</u></u> | <u><u>\$2,272.6</u></u> | <u><u>\$1,082.7</u></u> | <u><u>\$3,565.3</u></u> | <u><u>\$2,019.0</u></u> | <u><u>\$11,382.0</u></u> |

Interest to maturity for SBA may be significantly smaller than the amount shown in the above table because many of the bonds will be called prior to the final scheduled maturity date. The retirement of these bonds varies from project to project, as each bond issue is related to specific projects and any excess borrowing and accrued investment earnings are restricted to projects and debt service on the related bonds.

Michigan
Notes to the Financial Statements

Changes in Bonds and Notes Payable

Changes in bonds and notes payable for the year ended September 30, 2011, was as follows (in millions):

| Governmental Activities | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year | Amounts Due Thereafter |
|--|--------------------------|-------------------|-------------------|-----------------------|------------------------------------|-------------------------------|
| Bonds Payable: | | | | | | |
| General obligation debt | \$ 1,679.5 | \$ 369.4 | \$ (159.7) | \$ 1,889.2 | \$ 241.3 | \$ 1,647.9 |
| Revenue bonds | 2,380.2 | - | (108.5) | 2,271.7 | 118.3 | 2,153.5 |
| State Building Authority | 3,008.0 | 671.3 | (504.0) | 3,175.3 | 96.2 | 3,079.1 |
| Deferred Loss on Refundings: | | | | | | |
| General obligation debt | (77.5) | (11.8) | 28.8 | (60.5) | - | (60.5) |
| Revenue dedicated debt | (15.6) | - | 1.9 | (13.7) | - | (13.7) |
| State Building Authority | (16.2) | (4.3) | 13.3 | (7.2) | - | (7.2) |
| Unamortized Discounts: | | | | | | |
| General obligation debt | (1.0) | - | - | (1.0) | - | (1.0) |
| Revenue dedicated debt | (1.8) | - | 0.1 | (1.7) | - | (1.7) |
| State Building Authority | (0.8) | (0.2) | - | (1.0) | - | (1.0) |
| Unamortized Premiums: | | | | | | |
| General obligation debt | 48.6 | 6.3 | (11.0) | 43.9 | - | 43.9 |
| Revenue dedicated debt | 92.4 | - | (9.6) | 82.8 | - | 82.8 |
| State Building Authority | 93.5 | 5.9 | (19.3) | 80.1 | - | 80.1 |
| Total bonds and notes payable | <u>\$ 7,189.6</u> | <u>\$ 1,036.7</u> | <u>\$ 767.9</u> | <u>\$ 7,458.4</u> | <u>\$ 455.8</u> | <u>\$ 7,002.7</u> |
| Plus State Building Authority commercial paper notes reported as "Current Liabilities: Bonds and Notes Payable" on the Statement of Net Assets | | | | 10.5 | 10.5 | - |
| As reported on the Statement of Net Assets | | | | <u>\$ 7,468.9</u> | <u>\$ 466.3</u> | <u>\$ 7,002.7</u> |

Michigan
Notes to the Financial Statements

NOTE 14 – BONDS AND NOTES PAYABLE – DISCRETELY PRESENTED COMPONENT UNITS

Bonds and Notes Payable

Bonds Payable

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State.

The State universities and the Michigan State Housing Development Authority (MSHDA) utilize June 30 fiscal year-ends. The Farm Produce Insurance Authority utilizes a December 31 fiscal year-end, and the remaining discretely presented component units have September 30 fiscal year-ends.

The following table summarizes debt service requirements of the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year-end (in millions):

| Fiscal Years Ending In | Principal | Fixed Interest | Estimated Interest | Total |
|---|--------------------|----------------|--------------------|-------------|
| 2012 | \$ 421.0 | \$ 392.9 | \$ 11.3 | \$ 825.2 |
| 2013 | 385.5 | 377.7 | 11.2 | 774.3 |
| 2014 | 412.4 | 360.6 | 10.9 | 783.9 |
| 2015 | 392.2 | 342.0 | 10.7 | 744.8 |
| 2016 | 354.1 | 324.1 | 10.4 | 688.6 |
| Total five years | 1,965.1 | 1,797.2 | 54.5 | 3,816.8 |
| 2017-2021 | 1,818.4 | 1,361.0 | 49.3 | 3,228.7 |
| 2022-2026 | 1,629.9 | 930.0 | 44.8 | 2,604.8 |
| 2027-2031 | 1,379.8 | 571.2 | 38.4 | 1,989.4 |
| 2032-2036 | 904.7 | 310.8 | 32.3 | 1,247.8 |
| 2037-2041 | 1,096.3 | 148.0 | 29.4 | 1,273.7 |
| 2042-2046 | 1,328.4 | 44.1 | 18.0 | 1,390.5 |
| Thereafter | 5,975.1 | 5.5 | 3.6 | 5984.1 |
| 2017 – Thereafter: | 14,132.6 | 3,370.6 | 215.7 | 17,718.9 |
| Total | 16,097.7 | \$ 5,167.8 | \$ 270.2 | \$ 21,535.7 |
| Deferred amount on refunding | (41.5) | | | |
| Unamortized discount | (31.0) | | | |
| Unamortized premium | 123.2 | | | |
| Off market borrowings | 20.7 | | | |
| Interest rate swaps | 118.3 | | | |
| Deferred charges – swap reassignment | (20.7) | | | |
| Unpaid accretion for Capital Appreciation Bonds | (5,998.1) | | | |
| Total principal | <u>\$ 10,268.6</u> | | | |

Included in the table above is \$1.6 billion of demand bonds comprised of \$1.3 billion issued by MSHDA and \$248.4 million issued by the State universities. Defeased bonds outstanding of the Michigan Finance Authority (MFA) and MSHDA are not reflected in the table above.

Notes Payable

As of September 30, 2011, MFA has short-term notes outstanding of \$1.1 billion and long-term notes outstanding of \$762.3 million.

State universities have short-term notes outstanding of \$.7 million and long-term notes outstanding of \$15.3 million as of June 30, 2011.

Unrecorded Limited Obligation Debt

Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. The State has no obligation for this debt. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

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Notes to the Financial Statements

MFA issues limited obligations bonds to finance loans to private nonprofit institutions of higher education, qualified public educational facilities and hospitals for capital improvements. As of September 30, 2011, MFA had bonds outstanding of \$6.7 billion. Of this amount, \$506.5 million of the bonds have been defeased in substance, leaving a remaining undefeased balance of \$6.2 billion.

The Michigan Strategic Fund (MSF) issues taxable and tax exempt private activity bonds (PABs), formerly known as industrial development revenue bonds (IDRBs), which are not recorded as liabilities. The total amount of PABs issued by MSF and its predecessor entity for the period January 1, 1979 through September 30, 2011, was \$9.2 billion. The amount of tax-exempt bonds issued during fiscal year 2011 was \$393.4 million. In fiscal year 2011, there were \$17.1 million taxable bonds issued by MSF under the Taxable Bond Program. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

MSHDA has been authorized to issue up to \$800.0 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2011, limited obligation bonds had been issued totaling \$787.3 million, of which 32 issues totaling \$355.2 million had been retired.

MSHDA entered into several interest rate exchange agreements for a total of \$1.2 billion as of June 30, 2011, representing several bond series. In accordance with the exchange agreements, MSHDA pays fixed rates ranging from 3.4% to 5.4%.

NOTE 15 – OTHER LONG-TERM OBLIGATIONS

Primary Government

Other Long-Term Obligations

In general, expenditures and fund liabilities are not recorded in governmental funds for long-term obligations until claims, judgments, or amounts owed are “due and payable” at September 30. Expenses and liabilities for material claims and judgment losses are recorded in the government-wide and proprietary fund financial statements when the loss is considered probable.

Capital Leases

This liability is described in more detail in Note 12.

Compensated Absences

This liability is described in more detail in Note 1.

Workers' Compensation

The gross amount of workers' compensation liability, \$172.8 million at September 30, 2011, has been recorded at its discounted present value of \$116.1 million, using a discount rate of approximately 8%. The present value of the current portion of this liability is \$25.8 million. In fiscal year 2011, State agencies paid reimbursement for actual workers' compensation claims and administrative fees totaling \$39.3 million.

Net Pension Obligation

This liability is described in more detail in Note 10.

Net Other Postemployment Benefits (OPEB) Obligation

This liability is described in more detail in Note 11.

Pollution Remediation

This liability is measured in accordance with the obligating event criteria defined in Governmental Accounting Standards Boards (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The State's pollution remediation obligation at September 30, 2011, is \$165.7 million (\$14.0 million of which is the current portion). This estimate is based on professional judgment, experience, and historical cost data. Recoveries from other responsible parties, which would reduce the State's remediation liability, are not anticipated. Remediation obligation estimates may change over time due to changes in technology, prices, and regulations.

Superfund sites account for approximately \$139.8 million of this total. The State has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government's program to clean up these hazardous waste sites. Under this program, the State is required to pay or ensure payment of 10% of the cost of remediation action and 100% of the cost of operations and maintenance.

Other pollution obligations include funds committed for remediation activities for publicly-funded response activities and state-liable sites. Not included in the liability is approximately \$29.5 million for state-owned sites where a legal obligation exists but the GASB Statement No. 49 criteria for accruing a liability has not been met.

Michigan
Notes to the Financial Statements

Financed Infrastructure Projects

This liability represents contracts entered into by the Department of Transportation for the design, building, and financing of construction projects. The liability of \$36.3 million at September 30, 2011, represents the amount of work completed at year-end.

Pension Supplement

This liability represents amounts due to the State Employees' Pension Benefits Fund for supplemental pension payments payable to retirees that retired under the provisions of Public Act 185 of 2010. That legislation authorized an incentivized retirement option for members of the State Employees' Retirement System defined benefit plan, with one of the provisions being that those retirees would receive a supplement for 60 months equal to 1/60 of the compensated absences balances forfeited under the act that would have otherwise been payable at retirement.

Other Claims & Judgments

The governmental activities estimated liability for other claims and litigation losses, \$491.1 million at September 30, 2011, includes amounts for litigation, such as damages in tort cases and refund claims in cases involving State taxes, transportation claims, natural resources and environmental quality claims, and other claims, in which it is considered probable that costs will be incurred. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. The allowance also includes projections for highway related negligence cases based upon historical loss ratios. The State continues to vigorously contest all of these claims and the State may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the State losses exceed the projected minimums which have been recorded). The maximum potential loss on the allowance for estimated litigation losses is not considered reasonably measurable.

The liability recorded for other claims and judgments within business-type activities includes overpayments by employers to the Michigan Unemployment Compensation Funds totaling \$58.9 million. Also included is the OPEB obligation for Attorney Discipline System totaling \$.6 million.

Durant Settlement

The reported estimated liability for litigation losses includes the Durant, et al v State of Michigan, et al consolidated cases, which totaled \$140.6 million at September 30, 2011. This amount will, over time, be paid to each "non-Durant" school district for its underfunded State mandated program costs if certain requirements are met. See Note 24 for additional disclosure regarding the Durant case and other contingencies.

Federal Advances

The Michigan Unemployment Compensation Funds received no additional repayable federal advances during fiscal year 2011. A repayment of \$632.4 million was made leaving a balance of \$3.2 billion at September 30, 2011.

Michigan
Notes to the Financial Statements

Changes in Other Long-Term Obligations

Changes in long-term liabilities for the year ended September 30, 2011, are summarized as follows (in millions):

| Governmental Activities | Beginning Balance* | Additions | Reductions | Ending Balance | Amounts Due Within One Year | Amounts Due Thereafter |
|-------------------------------------|--------------------|-------------------|-----------------|-------------------|-----------------------------|------------------------|
| Other Long-term Obligations: | | | | | | |
| Capital lease obligations: | | | | | | |
| Component units | \$ 83.7 | \$ 123.3 | \$ 2.7 | \$ 204.2 | \$ 3.3 | \$ 200.9 |
| Others | 261.8 | 67.3 | 125.8 | 203.3 | 22.3 | 181.0 |
| Compensated absences | 493.5 | 327.7 | 438.6 | 382.6 | 174.5 | 208.1 |
| Workers' compensation | 113.7 | 27.7 | 25.3 | 116.1 | 25.8 | 90.3 |
| Net pension obligations | 593.4 | 29.5 | - | 622.9 | - | 622.9 |
| Net OPEB obligations | 1,750.6 | 650.3 | - | 2,401.0 | - | 2,401.0 |
| Pollution remediation | 166.2 | 12.7 | 13.1 | 165.7 | 14.0 | 151.7 |
| Financed infrastructure projects | 39.1 | - | 2.8 | 36.3 | 36.3 | - |
| Pension Supplement* | - | 83.1 | 12.3 | 70.8 | 16.6 | 54.2 |
| Other claims and judgments | 332.5 | 204.7 | 46.1 | 491.1 | 94.5 | 396.6 |
| Durant settlement | 171.8 | - | 31.2 | 140.6 | 38.8 | 101.9 |
| Total Governmental Activities | <u>\$ 4,006.2</u> | <u>\$ 1,526.2</u> | <u>\$ 697.8</u> | <u>\$ 4,834.6</u> | <u>\$ 426.1</u> | <u>\$ 4,408.5</u> |
| Business-type Activities | | | | | | |
| Other Long-term Obligations: | | | | | | |
| Advances from Federal government | \$ 3,814.1 | \$ - | \$ 632.4 | \$ 3,181.8 | \$ - | \$ 3,181.8 |
| Lottery prize awards* | 231.3 | 112.0 | 58.8 | 284.5 | 48.4 | 236.1 |
| Compensated absences | 3.4 | 1.6 | 2.8 | 2.2 | 1.5 | .6 |
| Pension Supplement* | - | 1.0 | .2 | .8 | .2 | .6 |
| Other claims and judgments | 57.9 | 1.6 | - | 59.5 | - | 59.5 |
| Total Business-type Activities | <u>\$ 4,106.8</u> | <u>\$ 116.2</u> | <u>\$ 694.2</u> | <u>\$ 3,528.8</u> | <u>\$ 50.1</u> | <u>\$ 3,478.7</u> |

*The amounts due within one year are included with "Accounts payable and other liabilities" on the Statement of Net Assets.

The General Fund, other governmental, and internal service funds in which the leases are recorded will liquidate the capital lease obligations. The compensated absence and workers' compensation liabilities will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension obligations and net OPEB obligations will be liquidated by the State's governmental and internal service funds that contribute toward the pension funds, based on the statutorily required contribution rates. The pollution remediation obligation will be liquidated by the General Fund. The financed infrastructure projects will be liquidated by the transportation related governmental funds. The School Aid Fund will liquidate the Durant settlement. The pension supplement attributable to governmental activities will be liquidated by the applicable governmental and internal service funds that will be billed by the pension fund. Other claims and judgments attributable to governmental activities will generally be liquidated by the General Fund and transportation related governmental funds.

Discretely Presented Component Units

Michigan Education Trust

Michigan Education Trust (MET) offers contracts, which for actuarially determined amounts, provide future tuition at State institutions of higher education. Contract provisions also allow the benefits to be used at private or out-of-state institutions, with the amount provided being based upon rates charged by the State's public institutions of higher education. The tuition payments are made by MET as a separate legal entity and these contracts are not considered obligations of the State. The Legislature is not obligated to provide appropriations should losses occur. The statutes and contracts provide for refunds to the participants if MET becomes actuarially unsound. Liabilities have been recorded on the Statement of Net Assets for the actuarial present value of future tuition benefit obligations.

The 1988, 1989, and 1990 enrollments are known as Plans B and C. Enrollments after November 1995 are known as Plan D.

The actuarial report on the status of MET Plans B and C, as of September 30, 2011, shows the actuarial present value of future tuition obligations to be \$189.1 million, as compared to the actuarially determined market value of assets available of \$200.2 million. The actuarial assumptions used include: a projected tuition increase rate of 7.1% for all future years; and a discount rate of 1.38%.

The actuarial report on the status of MET Plan D, as of September 30, 2011, shows the actuarial present value of future tuition obligations to be \$864.0 million, as compared to the actuarially determined market value of assets available of \$648.3 million. The actuarial assumptions used include: a projected tuition increase rate of 7.1% for all future years; and a discount rate of 7.01%.

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On November 8, 1994, the U.S. Court of Appeals for the Sixth Circuit ruled that MET is an integral part of the State of Michigan and, thus, the investment income realized by MET is not currently subject to federal income tax. On August 20, 1996, the Small Business Job Protection Act of 1996 (the "1996 Tax Act") was signed into law which included a provision adding a new section to the Internal Revenue Code of 1986 defining "qualified state tuition programs." A qualified State tuition program is generally exempt from income tax, but is subject to unrelated business income tax. MET has no unrelated business income. Distributions made in excess of qualified higher education expenses (whether to the refund designee, beneficiary, or to a college on behalf of the beneficiary) are taxable income to the beneficiary or the refund designee. In May 1997, MET submitted a request for ruling to the Internal Revenue Service (IRS) for verification that MET is in compliance with the 1996 Tax Act. On December 23, 1997, the IRS issued a favorable ruling which confirms that MET is in compliance with the Act.

NOTE 16 – INCOME TAX CREDITS AND REFUNDS

Income Tax Credits

The Michigan Income Tax Act provides for several types of tax credits. Some credits are accounted for as revenue reductions for financial reporting purposes while others are reported as expenditures. Revenue reductions are reported for those income tax credits that are limited by the amount of an individual's tax liability before considering such credits. To the extent these nonrefundable credits will generate future year payments, they are accrued as income tax refund liabilities together with estimated overwithholdings.

Expenditures are reported for those credits which can be received even if they exceed the individual's tax liability. For these refundable credits, the substance of the transaction is that the State is making a grant payment using the income tax system as a filing and payment mechanism. The amount of credit received is not a part of the determination of tax liability. The State's property tax is the primary credit that falls into this category. Expenditures for this credit are recognized in the year the tax returns are filed and recipients claim the credit.

The following table summarizes the various credits, reported on the "Tax credits" line as an expense in the government-wide financial statements and as an expenditure in the fund financial statements (in millions):

| Property tax credits: | |
|--|--------------------------|
| General homestead | \$ 467.3 |
| Senior citizens | 347.1 |
| Blind and disabled | 56.0 |
| Farmland preservation | 39.5 |
| Veterans | 1.2 |
| Subtotal – property tax credits | 911.1 |
| Earned income tax credit | 345.6 |
| Energy efficient home improvement credit | 14.2 |
| Adoption credit | .7 |
| Historic preservation credit | .2 |
| Home heating | .1 |
| Stillbirth credit | .1 |
| Total tax credits | <u><u>\$ 1,271.9</u></u> |

Income Tax Refunds Payable

The \$799.8 million reported as a liability on the "Income tax refunds payable" line in the government-wide and fund financial statements includes: projected refund estimates for overwithholding and tax credits reported as revenue reductions, actual refunds made in October and November, and accruals for known income tax litigation losses.

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NOTE 17 – DEFERRED COMPENSATION PLANS

The State participates in two deferred compensation plans that allow employees to defer a portion of their salary until future years. The plans were amended in 2010 to expand the definition of Employer to include qualified members of the Michigan Public School Retirement System. Executive Order 1999-7 transferred administrative oversight of the plans, labeled 457 and 401k after sections of the Internal Revenue Code, to the Department of Technology, Management and Budget. Day-to-day operations of the plans have been contracted to a third-party; however, the State Treasurer oversees investment options. The 457 plan and the 401k plan are combined for reporting purposes under the heading of "State of Michigan Deferred Compensation Funds."

The Employer makes no contribution to the 457 plan. Generally, the Employer does not make matching contributions to the 401k plan; however, the State of Michigan has occasionally made matching contributions to the 401k plan as part of certain State employees' compensation packages. To expand investment options, three investment tiers were developed and made available to participants on July 1, 1997. Participants invest their contributions and accumulated earnings by selecting mutual funds in one or more of the investment tiers. Employees may, at any time, transfer accumulated balances and future contributions among mutual funds in the investment tiers. Investment earnings, net of administrative charges, are credited to the participants proportionally, based upon their balances in the plan.

The 401k plan includes loan provisions for State of Michigan employees. Loans to participants are recorded as assets. The 457 plan does not include loan provisions.

Net assets available for plan benefits for the 457 plan and the 401k plan at September 30, 2011, were \$1.6 and \$1.4 billion, respectively.

NOTE 18 – INTERFUND RECEIVABLES AND PAYABLES

Primary Government

The balances of current interfund receivables and payables as of September 30 were (in millions):

| Due From | Due To | | | | | Total |
|---------------------------------|-----------------|------------------------------|---------------------------------|------------------------|-----------------|-----------------|
| | General Fund | Non-Major Governmental Funds | Unemployment Compensation Funds | Internal Service Funds | Fiduciary Funds | |
| General Fund | \$ - | \$ - | \$ 2.3 | \$ - | \$ 28.8 | \$ 31.1 |
| School Aid Fund | 654.3 | - | - | - | - | 654.3 |
| Non-major Governmental Funds | 14.0 | 93.8 | - | - | 3.7 | 111.6 |
| State Lottery Fund | - | - | - | - | .2 | .2 |
| Unemployment Compensation Funds | 40.2 | 6.4 | 12.8 | - | - | 59.3 |
| Non-major Enterprise Funds | - | - | - | - | .2 | .2 |
| Internal Service Funds | - | - | - | 16.1 | 2.4 | 18.5 |
| Fiduciary Funds | .8 | - | - | - | 3.7 | 4.5 |
| Governmental Funds – Long Term* | - | - | - | - | 15.5 | 15.5 |
| Total | <u>\$ 709.3</u> | <u>\$ 100.2</u> | <u>\$ 15.2</u> | <u>\$ 16.1</u> | <u>\$ 54.5</u> | <u>\$ 895.3</u> |

*This represents the current portion of the long-term liability recorded in the government-wide statements for amounts owed by the governmental funds to the State Employees' Pension Benefits Fund for supplemental pension payments. This liability is further described in Note 15.

Interfund receivables and payables are recorded for borrowings to eliminate negative balances in the Common Cash pool, as described in Note 5, payroll liabilities for group insurance and retirement, and tax accrual distributions for taxes collected in the following fiscal year.

Not included in the table above are the following interfund advances, which are not expected to be repaid within one year: \$6.0 million due from the Correctional Industries Revolving Fund (an internal service fund) to the General Fund for amounts loaned for capital construction.

Discretely Presented Component Units

Receivables and related liabilities between the primary government and the discretely presented component units, do not agree because the Michigan State Housing Development Authority and the ten State universities have a June 30 fiscal year-end.

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NOTE 19 – INTERFUND COMMITMENTS

Mackinac Bridge Authority

Mackinac Bridge Authority (MBA), a discretely presented component unit, has over the years received \$75.3 million of subsidies, including \$12.3 million for operations and \$63.0 million for debt service. These subsidies were provided by the State Trunkline and Michigan Transportation funds, respectively.

State statutes require that MBA continue charging bridge tolls and begin repaying the State funds for the subsidies provided. These repayments are to continue until such time as the subsidies have been completely returned. MBA has not recorded a liability and the State funds have not recorded receivables for these subsidies because: the reimbursements are contingent upon future net revenues, there is no repayment schedule, and the repayment commitment is long-term and budgetary in nature. Repayments may be authorized by MBA, after consideration of MBA's annual needs for its operations and planned repairs and improvements.

As of September 30, 2011, MBA has repaid a total of \$12.0 million of the advance from the Michigan Transportation Fund, leaving a balance of \$51.0 million. No repayments have been made on the advance from the State Trunkline Fund.

NOTE 20 – TRANSFERS

Interfund transfers as of September 30, consisted of the following (in millions):

| Transferred From | Transferred To | | | |
|---------------------------------|-----------------------|------------------------|-------------------------------------|-------------------|
| | General Fund | School Aid Fund | Non-Major Governmental Funds | Total |
| General Fund | \$ - | \$ 18.6 | \$ 294.8 | \$ 313.4 |
| School Aid Fund | - | - | 2.8 | 2.8 |
| Non-major Governmental Funds | 44.7 | - | 1,333.6 | 1,378.3 |
| State Lottery Fund | 10.3 | 727.3 | - | 737.7 |
| Unemployment Compensation Funds | 5.7 | - | 7.7 | 13.4 |
| Non-major Enterprise Funds | 166.9 | - | - | 166.9 |
| Internal Service Funds | 2.9 | - | 1.4 | 4.3 |
| Fiduciary Funds | .2 | - | - | .2 |
| Total | \$ 230.7 | \$ 746.0 | \$ 1,640.4 | \$ 2,617.0 |

Transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Liquor Purchase Revolving Fund and the State Lottery Fund as required by law, and 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute.

NOTE 21 – FUND DEFICITS

Primary Government

Governmental Funds

The Advance Financing Funds, a capital projects fund, had a fund balance deficit of \$15.2 million. The fund deficit was caused by expenditures for projects for which bonds have not yet been issued and for expenditures incurred to improve State-owned sites that have not been sold.

The State Building Authority, a capital projects fund, had a fund balance deficit of \$25.9 million. The fund deficit resulted because the issuance of commercial paper represents a fund liability and the corresponding construction projects are not reported as assets in the fund.

Proprietary Funds

The Michigan Unemployment Compensation Funds, an enterprise fund, had a net asset deficit of \$2.8 billion. The fund deficit was the result of unemployment benefits paid to individuals continuing to exceed unemployment contributions collected from employers.

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Discretely Presented Component Units

As of September 30, 2011, the Michigan Education Trust has a negative net asset balance of \$204.6 million. The net assets decreased during the fiscal year 2011, primarily due to unfavorable investment performance for MET II and higher increases in the tuition benefits payable.

NOTE 22 – FUND BALANCES AND NET ASSETS

Fund Balance Classifications – Governmental Funds

The following table provides additional detail regarding the fund balances reported on the Governmental Funds Balance Sheet at September 30 (in millions):

| | General Fund | School Aid Fund | Other Special Revenue Funds | Debt Service Funds | Capitol Projects Funds | Permanent Funds | Total |
|---|-------------------|-----------------|-----------------------------|--------------------|------------------------|-----------------|-------------------|
| Non-Spendable: | | | | | | | |
| Inventory and prepaids | \$ 14.6 | \$ - | \$ - | \$ - | \$ 12.9 | \$ - | \$ 27.5 |
| Long term notes/receivables | 252.7 | - | - | - | - | - | 252.7 |
| Permanent fund principal | - | - | 210.7 | - | - | 705.5 | 916.1 |
| Restricted | | | | | | | |
| Education | 2.6 | 753.6 | - | 145.7 | - | - | 901.9 |
| Public safety and corrections | 32.2 | - | 2.3 | - | - | 1.4 | 35.9 |
| Conservation, environment, recreation and agriculture | 111.3 | - | 168.1 | 1.4 | .5 | 215.8 | 497.0 |
| Human and health services | 44.6 | - | 1.3 | - | - | - | 45.9 |
| Transportation | - | - | 78.3 | - | 786.4 | - | 864.7 |
| Labor and economic growth | 97.0 | - | 40.6 | - | - | - | 137.6 |
| Other purposes | 64.0 | - | 10.3 | 63.5 | - | - | 137.7 |
| Committed | | | | | | | |
| Education | .7 | - | - | - | - | - | .7 |
| Public safety and corrections | 18.4 | - | - | - | - | - | 18.4 |
| Conservation, environment, recreation and agriculture | 14.0 | - | - | - | - | - | 14.0 |
| Human and health services | 291.1 | - | - | - | - | - | 291.1 |
| Labor and economic growth | 13.4 | - | - | - | - | - | 13.4 |
| Other purposes | 126.1 | - | 137.9 | - | - | - | 264.0 |
| Assigned | | | | | | | |
| Education | .5 | - | - | - | - | - | .5 |
| Public safety and corrections | 16.8 | - | - | - | - | - | 16.8 |
| Conservation, environment, recreation and agriculture | .9 | - | - | - | - | - | .9 |
| Human and health services | 16.9 | - | - | - | - | - | 16.9 |
| Labor and economic growth | .6 | - | - | - | - | - | .6 |
| Other purposes | 31.3 | - | - | - | - | - | 31.3 |
| Unassigned | 553.7 | - | - | - | (41.1) | - | 512.6 |
| Total Fund Balances | \$ 1,703.3 | \$ 753.6 | \$ 649.5 | \$ 210.6 | \$ 758.7 | \$ 922.6 | \$ 4,998.2 |

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Restricted Net Assets – Primary Government

The following table provides additional detail regarding the restricted net assets reported for the primary government on the government-wide Statement of Net Assets (in millions):

| | Restricted by Enabling Legislation | External or Constitutional Restrictions | Total |
|---|--|---|-------------------|
| Governmental Activities: | | | |
| Restricted For: | | | |
| Education | \$ 2.3 | \$ 1,072.7 | \$ 1,075.0 |
| Public safety and corrections | 14.5 | 20.0 | 34.5 |
| Conservation, environment, recreation, and agriculture | 165.9 | 94.6 | 260.5 |
| Health and human services | 25.2 | 20.5 | 45.7 |
| Transportation | - | 759.5 | 759.5 |
| Labor and economic growth | 116.0 | 17.3 | 133.3 |
| Other purposes | 97.6 | 12.6 | 110.2 |
| Funds Held as Permanent Investments: | | | |
| Expendable | - | 217.2 | 217.2 |
| Nonexpendable | - | 916.1 | 916.1 |
| Total Restricted Net Assets - Governmental | \$ 421.6 | \$ 3,130.5 | \$ 3,552.1 |
| Business-Type Activities: | | | |
| Restricted For: | | | |
| Unemployment compensation | \$ 101.0 | \$ - | \$ 101.0 |
| Other purposes | 30.5 | - | 30.5 |
| Total Restricted Net Assets – Business - Type | \$ 131.5 | \$ - | \$ 131.5 |
| Total Primary Government: | | | |
| Restricted For: | | | |
| Education | \$ 2.3 | \$ 1,072.7 | \$ 1,075.0 |
| Public safety and corrections | 14.5 | 20.0 | 34.5 |
| Conservation, environment, recreation, and agriculture | 165.9 | 94.6 | 260.5 |
| Health and human services | 25.2 | 20.5 | 45.7 |
| Transportation | - | 759.5 | 759.5 |
| Unemployment compensation | 101.0 | - | 101.0 |
| Labor and economic growth | 116.0 | 17.3 | 133.3 |
| Other purposes | 128.1 | 12.6 | 140.7 |
| Funds Held as Permanent Investments: | | | |
| Expendable | - | 217.2 | 217.2 |
| Nonexpendable | - | 916.1 | 916.1 |
| Total Restricted Net Assets – Primary Government | \$ 553.0 | \$ 3,130.5 | \$ 3,683.5 |

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NOTE 23 – DISAGGREGATION OF PAYABLES

The line "Current Liabilities: Accounts payable and other liabilities," as presented on the government-wide Statement of Net Assets as of September 30, 2011, consisted of the following (in millions):

| | General Fund | School Aid Fund | Non-major Governmental Funds | Other Funds | State Lottery Fund | Michigan Unemployment Compensation Funds | Non-major Enterprise Funds | Total |
|-------------------------------------|-------------------|-----------------|------------------------------|----------------|--------------------|--|----------------------------|-------------------|
| Medicaid programs | \$ 1,055.0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,055.0 |
| Non-Medicaid health programs | 160.3 | - | - | - | - | - | - | 160.3 |
| Human Services programs | 218.1 | - | .4 | - | - | - | - | 218.5 |
| Transportation programs | - | - | 427.5 | - | - | - | - | 427.5 |
| School Aid programs | - | 155.5 | - | - | - | - | - | 155.5 |
| Other state programs | 315.9 | - | 24.3 | - | - | - | - | 340.2 |
| Merit Award scholarships | - | - | .7 | - | - | - | - | .7 |
| Payroll and withholdings | 108.1 | - | 14.4 | - | .5 | - | .3 | 123.3 |
| Tax refunds other than income tax | 501.8 | 12.7 | 5.7 | - | - | - | - | 520.3 |
| Unearned receipts | 80.2 | .1 | 6.4 | - | - | - | - | 86.7 |
| Amounts held for others | 27.5 | - | 34.8 | - | 2.8 | - | - | 65.1 |
| Capital Projects–Non Transportation | - | - | 30.2 | - | - | - | - | 30.2 |
| Prize awards | - | - | - | - | 104.2 | - | - | 104.2 |
| Liquor purchase | - | - | - | - | - | - | - | 74.6 |
| Unemployment payments | - | - | - | - | - | 20.6 | - | 20.6 |
| Internal Service Fund liabilities | - | - | - | 63.8 | - | - | - | 63.8 |
| Due to fiduciary funds* | - | - | - | 50.9 | - | - | - | 50.9 |
| Miscellaneous | - | - | - | - | 9.5 | - | .4 | 9.9 |
| Total | \$ 2,467.1 | \$ 168.4 | \$ 544.3 | \$114.7 | \$117.0 | \$ 20.6 | \$ 75.3 | \$ 3,507.4 |

*This amount represents amounts due to fiduciary funds that are reclassified as external payables on the government-wide Statement of Net Assets.

Effective January 1, 2008, the State replaced the Single Business Tax with the Michigan Business Tax (MBT). However, at the end of fiscal year 2008, the State did not estimate an accrual due to the lack of information. The State is still unable to estimate an accrual because the data needed to compare tax payments received to the total tax liability is not available. Therefore, any potential tax refunded (payable) is not measurable and has not been recorded in this fiscal year.

NOTE 24 – CONTINGENCIES AND COMMITMENTS

Primary Government

Litigation

In the government-wide and proprietary fund financial statements, the State accrues liabilities related to significant legal proceedings if a loss is probable and reasonably estimable. In the governmental fund financial statements, liabilities are accrued when cases are settled and the amount is due and payable.

The State is a party to various legal proceedings seeking damages, injunctive, or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. These lawsuits involve programs generally in the areas of corrections; tax collection; commerce and budgetary reductions to school districts and governmental units; and court funding. Relief sought generally includes damages in tort cases; improvement of prison medical and mental health care and refund claims for State taxes. The State is also a party to various legal proceedings that, if resolved in the State's favor, would result in contingency gains to the State, but without material effect upon fund balance/net assets. The ultimate dispositions and consequences of all of these proceedings are not presently determinable, but such ultimate dispositions and consequences of any single proceeding or all legal proceedings collectively should not themselves, except as listed below, in the opinion of the Attorney General of the State and the State Budget Office, have a material adverse effect on the State's financial position. Those lawsuits pending which may have a significant impact or substantial effect on State programs or finances, if resolved in a manner unfavorable to the State, include the following:

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Durant et al v State of Michigan: On November 15, 2000, more than 365 Michigan school districts and individuals filed two suits in the Michigan Court of Appeals. The first suit, Durant et al v State et al ("Durant III"), asserts that the State School Aid appropriation act, P.A. 297 of 2000, violates the State Constitution, Article 9, Sections 25-34 (the "Headlee Amendment"), because it allegedly transfers per pupil revenue guaranteed to school districts under the Constitution of 1963, Article 9, Section 11, for unrestricted school operating purposes, in order to satisfy the State's independent funding obligation to those school districts under Article 9, Section 29. The State won this case in the Court of Appeals, and the Supreme Court denied the plaintiffs' application for leave to appeal.

The second suit, Adair et al v State et al ("Adair"), was filed on November 15, 2000, by more than 400 school districts and asserts that the State has, by operation of law, increased the level of various specified activities and services beyond that which was required by State law as of December 23, 1978 and, subsequent to December 23, 1978, added various specified new activities or services by State law, including mandatory increases in student instruction time, without providing funding for these new activities and services, all in violation of the Headlee Amendment. The Adair plaintiffs sought an unspecified money judgment equal to the reduction in the State financed proportion of necessary costs incurred by the plaintiff school districts for each school year from 1997-1998 through the date of any judgment and for attorneys' fees and litigation costs. The Adair plaintiffs also sought a declaratory judgment that the State has failed to meet its funding responsibility under the Headlee Amendment to provide the plaintiff school districts with revenues sufficient to pay for the necessary increased costs for activities and services first required by State law after December 23, 1978, and to pay for increases in the level of required activities and services beyond that which was required by State law as of December 23, 1978.

On January 2, 2001, plaintiffs filed a first amended complaint in both Durant III and Adair increasing the number of school district plaintiffs to 443. On February 22, 2001, plaintiffs filed a second amended complaint in Durant III increasing the number of school district plaintiffs to 457. On April 16, 2001, plaintiffs filed a second amended complaint in Adair increasing the number of school district plaintiffs to 463. The second amended complaint includes a request for declaratory relief, attorneys' fees and litigation costs but does not include a request for money judgment.

On April 23, 2002, the Court of Appeals dismissed the complaint in its entirety and with prejudice. Plaintiffs filed an application for leave to appeal in the Michigan Supreme Court on May 14, 2002, which was granted on December 18, 2002.

On June 9, 2004, the Michigan Supreme Court issued its opinion in Adair. The court held that, with three exceptions, all of the plaintiffs' claims were barred by the doctrines of *res judicata* and release. The court ruled that all but three of the claims that plaintiffs alleged were new or increased activities could have been included in the Durant I litigation because the activities existed during the time that the Durant I litigation was pending.

The other three claims involve statutes that were enacted after the court's 1997 Durant I decision. The court ruled that two of these post-Durant I statutes are not new mandates because the activities are either not new or are merely permissive. The third claim involves the record keeping activities and the operation of the Center for Educational Performance and Information (CEPI), which was created by executive order in 2000 (Michigan Compiled Laws (MCL) Section 388.1752; Executive Order (EO) 2000-9). Plaintiffs alleged that the statute and executive order require districts to create and maintain student data following State-specified data-gathering procedures and transmit the data electronically to the State. The Supreme Court ruled that the plaintiffs' allegation that districts had to now actively participate in maintaining data that the State requires for its own purposes presents a colorable claim under the Headlee Amendment. The court reversed the Court of Appeals' dismissal of the claim and remanded the issue to the Court of Appeals to determine whether this claim constitutes a new State-mandated activity in violation of the Headlee Amendment.

On August 4, 2005, the Court of Appeals held that the school districts failed to present documentary support from which it can be inferred that either MCL Section 388.1752 or EO 2000-9 mandates the school districts to actively participate in the maintenance of data that the State requires for its purposes. Further, the record keeping claim cannot survive summary disposition in the absence of any factual support, either expressed or implied, demonstrating that a genuine issue of material fact exists with regard to whether the dictates of the statute and the EO impermissibly shift a State obligation to the school districts to avoid the costs of obligation. The Court of Appeals granted summary disposition in the State's favor. Plaintiffs estimated their claim to be \$30 million plus ongoing costs. The plaintiff school districts filed an application for leave to appeal with the Michigan Supreme Court. A brief in opposition was filed on October 11, 2005.

On March 8, 2006, the Supreme Court issued an order vacating the August 4, 2005, Court of Appeals decision and remanded the issue to the Court of Appeals for reevaluation of the record keeping claim. The Court of Appeals appointed a Special Master to oversee discovery and make proposed findings to the Court of Appeals. An evidentiary hearing before the Special Master was held in the summer of 2007.

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On January 27, 2008, the Special Master issued her opinion. She found that the increased recordkeeping and reporting requirements imposed upon the school districts by the State was an attempt to shift the burden to comply with additional requirements to the districts without appropriating the necessary costs to comply. She concluded that this was a shifting of the recordkeeping and reporting requirement burden from the State to the local units of government in violation of the Headlee Amendment.

The State filed objections to the Special Master's Opinion in the Court of Appeals. The school districts sought attorney fees in the Court of Appeals.

On July 3, 2008, the Court of Appeals issued its Opinion on Second Remand, essentially adopting the conclusions of law and factual findings of the Special Master. The court entered a declaratory judgment in favor of the plaintiff school districts, requiring the State to fund the "necessary costs associated with the data collection reporting mandates" associated with CEPI. The court denied plaintiff's request for attorney fees.

Both parties filed applications for leave to appeals in the Michigan Supreme Court. On April 3, 2009, the Michigan Supreme Court granted leave on two issues: (1) whether the prohibition of unfunded mandates in Article 9, Section 29 of the State Constitution, requires plaintiffs to prove specific costs, either through reallocation of funds or out-of-pocket expenses in order to establish their entitlement to a declaratory judgment; and (2) whether plaintiffs are entitled to recover the "costs incurred in maintaining" this suit pursuant to Article 9, Section 32, of the State Constitution.

Following the submission of briefs, the Michigan Supreme Court heard oral arguments on October 6, 2009.

On July 14, 2010, the Michigan Supreme Court issued a 4-3 decision in favor of the plaintiffs on both issues. The court held that the school district record keeping requirements was an increase in the level of activities or services mandated by the State and therefore, subject to Headlee. The court also held that in a declaratory judgment action under Headlee, where no legislative appropriation is made, a plaintiff is not required to show a quantified dollar amount increase in necessary costs, and the State has the burden to demonstrate that the school district's costs were not necessary under one or more of the exceptions in MCL 21.233(6) (a) through (d). In evaluating whether the costs from an increased level of activity were necessary, the question is what would be the cost to the State if it performed the mandated activity. The court also held that plaintiffs are entitled to attorney fees sustained in maintaining this action.

The case was remanded to the Court of Appeals to determine costs and attorney fees. Based on information provided by the plaintiffs' attorney, the state estimates that he will be seeking between \$1.8 million to \$3.6 million in attorney fees, which will be paid from fiscal year 2011's budget. The Legislature has only appropriated \$1.0 million in section 22b(7) of the State School Aid Act, MCL 388.1622b(7) for this anticipated expense. Subsequent to September 30, the Legislature appropriated \$25.6 million to satisfy the Adair record-keeping funding requirement for fiscal year 2011.

The case was remanded to the Court of Appeals to determine costs and attorney fees. An evidentiary hearing before the court-appointed Special Master occurred in June 2011. The recommendation and decision of the Special Master is currently pending. The State estimates that the award of attorney fees and costs is between \$1.8 million and \$4.0 million, which may be paid from fiscal year 2012's budget. The Legislature allocated up to \$1.0 million in Section 22b(7) of the State School Aid Act, MCL 388.1627b(7) for this anticipated expense. The Legislature appropriated \$25.6 million in fiscal year 2011, and \$34 million in fiscal year 2012 to be used solely for the purpose of paying necessary costs related to the state-mandated collection, maintenance, and reporting of data to this state.

On January 19, 2011, the Adair plaintiffs filed a new complaint seeking, among other things, a declaratory judgment that the appropriation is insufficient to pay the full costs of the imposed record keeping requirements, and that the new requirements for teacher and administrator evaluations enacted in the Race to the Top legislation, 2009 Public Acts 201-205, also violate the Headlee Amendment. The complaint also sought compensable damages for the amount of costs incurred by the school districts to provide required data and attorney fees, injunctive relief to cease requiring school districts from complying with the record keeping requirements, and injunctive relief to enjoin Defendants from enforcing the Race to the Top legislation.

On October 10, 2011, plaintiffs filed a second amended complaint primarily based on the changes in the teacher and administrator evaluation provisions contained in 2011 PA 100-102, the July 2011 amendments to Section 1249 of the School Code, MCL 380.1249, as well as the changes to the Tenure Act. In addition, the districts added a count related to the Teacher Student Data Link and allege that Section 94a of the School Aid Act mandates that schools collect and report new data without an appropriation to pay the districts for costs of the new activity including: "costs incurred for their staff members necessary to perform the required services for the purpose of TSDL data acquisition, maintenance and reporting to CEPI, to acquire necessary software to track, record and report the required data, and to train school district staff in order to otherwise implement the new TSDL reporting requirements, all of which have never before been required by the State."

Plaintiffs allege this is occurring in direct violation of the provisions of the second sentence of Const 1963, Article 9, Section 29, the Headlee Amendment. Although this is a declaratory judgment action, plaintiffs are entitled to costs including attorney fees estimated between \$1.2 million and \$4 million. Plaintiffs claim cost of compliance with the reporting is over \$34 million annually. The cost of compliance with the teacher and administrator evaluation requirements has not been determined.

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Federal Grants

The State receives significant financial assistance from the federal government in the form of grants and entitlements. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations. Substantially all federal grants are subject to either federal single audits or financial and compliance audits by grantor agencies. Questioned costs as a result of these audits may become disallowances after the appropriate review of federal agencies. Material disallowances are recognized as fund liabilities in the government-wide and proprietary fund financial statements when the loss becomes probable and reasonably estimable. As of September 30, 2011, the State estimates that additional disallowances of recognized revenue will not be material to the general purpose financial statements.

Gain Contingencies

Certain contingent receivables related to the Department of Human Services (DHS) are not recorded as assets in these statements. Amounts recoverable from DHS grant recipients for grant overpayments or from responsible third parties are recorded as receivables only if the amount is reasonably measurable, expected to be received within 12 months, and not contingent upon future grants or the completion of major collection efforts by the State. If recoveries are accrued and the program involves federal participation, a liability for the federal share of the recovery is also accrued. The unrecorded amount of potential recoveries, which are ultimately collectible, cannot be reasonably determined.

In November 1998, the Attorney General joined 45 other states and five territories in a settlement agreement against the nation's largest tobacco manufacturers, to seek restitution for monies spent by the states under Medicaid and other health care programs for treatment of smoking-related diseases and conditions. Michigan's share of the settlement is expected to be \$8.5 billion over a 25-year period starting in 1998, and then \$350.0 million per year, adjusted for inflation and other factors, in perpetuity. While Michigan's percentage share of the base payments will not change over time, the amount of the annual payment is subject to a number of modifications including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), while other adjustments will likely cause decreases in the payments. As the market share of the participating manufacturers shifts to companies that are not participating in the settlement, the participating companies are entitled to an adjustment. A state, however, may negate the effects of the market share adjustment by demonstrating that it diligently enforced the escrow requirements, tax laws, and other statutes against the non-participating tobacco manufacturers. The states are currently in litigation over the application and interpretation of the market share adjustment and diligent enforcement provisions of the master settlement agreement. At best, Michigan will avoid any reduction of its tobacco payments, and will recover funds withheld in past years and placed in an escrow account. At present, the escrowed amount is approximately \$100 million. At worst, an entire year's payment can be eliminated for years into the future through application of the market share adjustment. The net effect of these adjustments on future payments is unclear, therefore only receivables and deferred revenues which can be reasonably estimated have been recorded for future payments. The matter is being decided by a three-person arbitration panel. Various procedural motions have been considered by the Panel since the arbitration commenced in July 2010. It is anticipated that the hearing of common issues of fact will begin in April 2012, and the hearing of individual state cases will begin in mid-2012. The arbitration of the 2003 claims will likely conclude in late 2012 or early 2013. Because the NPM Adjustment is an annual event under the MSA, the arbitration of claims related to calendar year 2004 should commence shortly after the completion of the year 2003 arbitration.

Contingent Liability for Local School District Bonds

Article 9, Section 16, of the Michigan Constitution resulted in a contingent liability for the bonds of any school district which are "qualified" by the State Treasurer. If, for any reason, a qualified school district will be, or is, unable to pay the principal and interest on its qualified bonds when due, the school district shall borrow, and the State shall lend to it, any amount necessary for the school district to avoid a default on its qualified bonds. In the event that adequate funds are not available in the School Loan Revolving Fund to make such a loan, the State is required to make loans from the General Fund. As of September 30, 2011, the principal amount of qualified bonds outstanding was \$14.0 billion. Total debt service requirements on these bonds including interest will approximate \$1.5 billion in 2012. The amount of loans by the State (related to local school district bonds qualified under this program), outstanding to local school districts as of September 30, 2011, is \$965.6 million. Interest due on these loans as of September 30, 2011, is \$273.7 million.

Commitments and Encumbrances

The Department of Transportation has construction and consultant commitments that will be paid with transportation related funds. As of September 30, 2011, these commitments equaled \$720.6 million; a portion of this balance, \$94.8 million, has been encumbered.

Encumbrance balances are comprised of grant agreements and other contracts the State of Michigan has entered into with vendors for services or goods not yet performed or received as of year-end. A portion of these commitments will be funded with current fund balances. These amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance classifications. Resources provided by future bond proceeds, taxes, federal grants, and local and private revenues will fund the remaining commitments. The following table shows total governmental fund encumbrances as of September 30, 2011 (in millions):

Michigan
Notes to the Financial Statements

| | General Fund | School Aid Fund | Other Funds | Total |
|--|-----------------|--------------------|-----------------|-----------------|
| Restricted | | | | |
| Education | \$ 3.6 | \$ 96.4 | \$ - | \$ 100.0 |
| Public safety and corrections | 9.8 | - | - | 9.8 |
| Conservation, environment, recreation, and agriculture | 78.1 | - | 75.3 | 153.3 |
| Health and human services | 27.0 | - | - | 27.0 |
| Transportation | - | - | 402.1 | 402.1 |
| Labor and economic growth | 58.1 | - | 2.0 | 60.1 |
| Other purposes | 8.2 | - | - | 8.2 |
| Committed | | | | |
| Public safety and corrections | 1.4 | - | - | 1.4 |
| Conservation, environment, recreation, and agriculture | 2.1 | - | - | 2.1 |
| Health and human services | .8 | - | - | .8 |
| Labor and economic growth | 3.0 | - | - | 3.0 |
| Other purposes | 37.9 | - | - | 37.9 |
| Assigned | | | | |
| Education | .5 | - | - | .5 |
| Public safety and corrections | 16.8 | - | - | 16.8 |
| Conservation, environment, recreation, and agriculture | 1.3 | - | - | 1.3 |
| Health and human services | 17.6 | - | - | 17.6 |
| Labor and economic growth | .7 | - | - | .7 |
| Other purposes | 37.1 | - | - | 37.1 |
| Total Encumbrances | \$ 304.0 | \$ 96.4 | \$ 479.4 | \$ 879.9 |

Discretely Presented Component Units

Student Loan Guarantees

The Michigan Guaranty Agency (MGA), a fiduciary fund of the Michigan Finance Authority, is contingently liable for student loans made by financial institutions that qualify for guaranty. The State, other than MGA, is not liable for these loans. The default ratio for loans guaranteed by MGA is below 5% for the fiscal year ended September 30, 2011. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 2011, is 100% for loans made prior to October 1, 1993, 98% for loans made from October 1, 1993 to September 30, 1998, and 95% for loans made on or after October 1, 1998. In the event of future adverse default experience, MGA could be liable for up to 25% of defaulted loans. While management believes the MGA expected maximum contingent liability is less than 25% of outstanding guaranteed loans, the maximum contingent liability at 25% is \$789.8 million as of September 30, 2011. Management does not expect that all guaranteed loans could default in one year.

The MGA has entered into commitment agreements with all lenders that provide, among other things, that the MGA will maintain cash and marketable securities at an amount sufficient to guarantee loans in accordance with the Higher Education Act of 1965, as amended. The MGA was in compliance with this requirement as of September 30, 2011.

Multi-Family Mortgage Loans

As of June 30, 2011, the Michigan State Housing Development Authority (MSHDA) has commitments to issue multi-family mortgage loans in the amount of \$49.2 million and single-family mortgage loans in the amount of \$9.7 million.

The MSHDA has committed up to approximately \$1.1 million per year for up to 30 years from the date of completion of the respective developments (subject to three years advance notice of termination) from its accumulated reserves and future income to subsidize operations or rents for certain tenants occupying units in certain developments funded under MSHDA's multi-family program.

Michigan
Notes to the Financial Statements

NOTE 25 – RISK MANAGEMENT

Primary Government

General

The State has elected not to purchase commercial insurance for many of the risks of losses to which it is exposed. The State is self-insured for most general liability and property losses, portions of its employee insurance benefit and employee bonding programs, automobile liability, and workers' compensation and unemployment compensation claims. Areas of risk where some level of insurance coverage is purchased include: aircraft liability, property and loss rental insurance that may be required by bond or lease agreements, portions of the State employee insurance benefits program, certain State artifacts, builder's risk coverage, boiler and machinery coverage, and employee bonding. Settled claims have not exceeded commercial coverage in any of the past ten fiscal years.

The State has established two internal service funds, which are described below, to account for certain aspects of the risk management program. Fund expenditures (expenses) are recognized in the paying funds in a manner similar to purchased commercial insurance. For other uninsured losses not covered by an internal service fund program, such as general liability and property losses, the State recognizes fund liabilities in the fund incurring the loss as follows: governmental funds record an expenditure when a loss is due and payable; proprietary funds record an expense when it is probable that a loss has occurred and the amount can be reasonably estimated. As explained more fully in Note 15, losses for workers' compensation and certain types of litigation losses have been recognized as liabilities in the government-wide financial statements.

For unemployment claims, the Unemployment Insurance Agency (UIA) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities in the governmental fund financial statements for unemployment compensation, only to the extent paid by UIA through September 30. During fiscal year 2011, expenditures for payments to former State employees (not including university employees) totaled \$19.7 million. The potential liability for future payments cannot be estimated.

The State's two internal service funds, which account for certain areas of risk management, such as portions of its employee insurance benefits, employee bonding, and automobile liability, follow accounting standards established by the Governmental Accounting Standards Board (GASB). This results in a reporting which is very similar to that used in the private insurance industry. The various component programs within the two funds may incur deficits during a given year, but each program's surplus and unrestricted net asset balance is considered in calculating future charges or benefit levels.

Risk Management Fund

This fund was established during fiscal year 1990 to account for insurance management activities implemented within the Department of Technology, Management and Budget. The automobile liability and administrative functions are accounted for as operating activities of this fund. Expenses and liabilities for claims, including incurred but not reported or not processed claims, have been recorded in the amount of \$7.4 million. This includes a long-term portion, which is recorded at \$5.9 million.

Changes in the Risk Management Fund's claims for automobile liability for the fiscal years ending September 30, 2011 and 2010 are as follows (in millions):

| | 2011 | 2010 |
|--|---------------|---------------|
| Balance - beginning | \$ 5.7 | \$ 7.1 |
| Current year claims and changes in estimates | 2.5 | (.8) |
| Claim payments | (.8) | (.6) |
| Balance - ending | <u>\$ 7.4</u> | <u>\$ 5.7</u> |

Workers' compensation payments for State agencies are processed centrally through the Risk Management Fund. Changes in Workers' compensation claims for the fiscal years ending September 30, 2011 and 2010 are as follows (in millions):

| | 2011 | 2010 |
|--|-----------------|-----------------|
| Balance - beginning | \$ 113.7 | \$ 107.9 |
| Current year claims and changes in estimates | 27.7 | 29.8 |
| Claim payments | (25.3) | (24.0) |
| Balance - ending | <u>\$ 116.1</u> | <u>\$ 113.7</u> |

Workers' compensation is further described in Note 15.

Michigan
Notes to the Financial Statements

State Sponsored Group Insurance Fund

The Department of Technology, Management and Budget and the Civil Service Commission use this fund to account for employee benefit programs, which are largely self-funded. In compliance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the retiree insurance benefits programs are no longer reported in this fund. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of \$134.5 million. This includes a long-term portion, which is recorded at a discounted present value of \$88.7 million. For all claims incurred prior to October 1, 2011, the discounted present value of the long-term disability liability was calculated over a 20-year period using a discount rate of approximately 1.0%.

Payments to the State Sponsored Group Insurance Fund are based on estimates of amounts needed to pay prior and current year claims. In addition, a portion of the fund's net assets has been designated for catastrophic losses. The risk management designation represents the level of reserves that should be maintained to ease large fluctuations in premium levels in years of unexpected excessive claims. That designation was \$40.8 million at September 30, 2011. Unrestricted net assets totaled \$112.2 million at September 30, 2011.

Changes in the State Sponsored Group Insurance Fund's claims liability for employee benefit programs for the fiscal years ending September 30, 2011 and 2010 are as follows (in millions):

| | 2011 | 2010 |
|--|-----------------|-----------------|
| Balance - beginning | \$ 139.0 | \$ 135.0 |
| Current year claims and changes in estimates | 657.6 | 681.5 |
| Claim payments | (662.1) | (677.5) |
| Balance - ending | <u>\$ 134.5</u> | <u>\$ 139.0</u> |

Discretely Presented Component Units

State Universities

The State university component units participate with the other Michigan public universities in Michigan Universities Self-Insurance Corporation (MUSIC), which provides indemnity to its members against comprehensive general liability, errors and omissions losses, and property damage commonly covered by insurance. Loss coverages for comprehensive general liability and property are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer, and commercial carriers covering the third layer. For all policy years through June 30, 1993, errors and omissions coverage was structured on a two-layer basis with no excess insurance provided. Effective July 1, 1993, MUSIC obtained excess insurance coverage from commercial carriers covering the third layer. For automobile liability there is no member retention. Comprehensive general liability, property and automobile liability coverage is provided on an occurrence basis; errors and omissions coverage is provided on a claims-made basis.

NOTE 26 – SUBSEQUENT EVENTS

Long-Term Borrowing

On October 19, 2011, the State issued its State of Michigan General Obligation School Loan Bonds, Series 2011 B in the amount of \$30.1 million as fully registered bonds bearing interest which is payable semi-annually commencing June 1, 2012. Proceeds of this issuance were deposited in the Michigan Finance Authority's School Loan Revolving Fund in the amount of \$29.9 million.

On October 19, 2011, the State issued its State of Michigan General Obligation Environmental Program and Refunding Bonds, Series 2011 A and 2011 B in the amounts of \$44.0 million and \$65.4 million, respectively, as fully registered bonds bearing interest which is payable semi-annually commencing June 1, 2012. Proceeds of these issuances were used to refund General Obligation Environmental Program and Refunding Bonds, Series 2009 B in the amount of \$33.7 million. \$74.6 million was also deposited in the Combined Environmental Protection Bond Fund (a subfund of the General Fund) for the Clean Michigan Initiative Fund (\$15.0 million) and Great Lakes Water Quality Fund (\$59.6 million).

On November 1, 2011, the State issued its State of Michigan Comprehensive Transportation Refunding Bonds, Series 2011 in the amount of \$18.5 million as fully registered bonds bearing interest which is payable semi-annually commencing May 15, 2012. Proceeds of this issuance were used to refund Comprehensive Transportation Bonds, Series 2001A in the amount of \$20.8 million. A deposit was also made in the Michigan Department of Transportation 2011 Bond Proceeds Fund in the amount of \$.2 million.

On December 20, 2011, the State issued its State of Michigan State Trunkline Fund Bonds, Series 2011 in the amount of \$91.0 million as fully registered bonds bearing interest which is payable semi-annually commencing May 15, 2012. Proceeds of this issuance were deposited into the Michigan Department of Transportation's 2011 Bond Proceeds Fund in the amount of \$101.3 million.

Michigan
Notes to the Financial Statements

Short-Term Borrowing

On October 6, 2011, the State Building Authority (SBA) issued \$19.0 million of commercial paper notes bearing an interest rate of .18%. The notes matured on November 17, 2011.

On November 17, 2011, SBA issued \$41.3 million of commercial paper notes bearing an interest rate of .16%. The notes matured on January 12, 2012.

On January 12, 2012, SBA issued \$41.3 million of commercial paper notes bearing an interest rate of .10%. The notes matured on February 16, 2012.

On February 16, 2012, SBA issued \$61.3 million of commercial paper notes bearing an interest rate of .15%. The notes mature on March 29, 2012.

Long-Term Borrowing –Discretely Presented Component Units

Subsequent to their respective year-ends, the following discretely presented component units issued long-term debt (in millions):

| | <u>Bonds Issued</u> |
|--|---------------------|
| Michigan Finance Authority* | \$4,218.9 |
| Michigan State Housing Development Authority | 172.2 |
| Northern Michigan University | 18.2 |
| | <u>\$4,409.3</u> |

* On December 28, 2011, the Michigan Finance Authority issued Unemployment Obligation Assessment Variable Rate Demand Revenue Bonds, Series 2011 totaling \$3.3 billion (included in the table above), pursuant to Public Act 267 of 2011. The bonds were issued for the purpose of : (i) Reducing or avoiding the need for the State to borrow or obtain a federal advance to the State's Unemployment Trust Account within the Federal Unemployment Trust Fund; (ii) Repaying principal and interest on unpaid advances to the State's Unemployment Trust Account within the Federal Unemployment Trust Fund, or reimbursing amounts advanced by the State to pay interest on such unpaid advances; (iii) Funding the minimum amount necessary to pay unemployment benefits without advances or loans from the federal government before January 1, 2014; (iv) Paying unemployment benefits before January 1, 2014; and (v) Paying or providing for financing costs as defined in Public Act 267 of 2011.

Pension and Postemployment Benefit Reforms

In December 2011, legislation was enacted amending the State Employees' Retirement Act which contained a number of pension and postemployment benefit reforms. These changes could significantly impact member benefits and future activity of the State Employees' Retirement System. As a result, the unfunded liability for other postemployment benefits is expected to be significantly reduced.





II. FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

Michigan

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

(In Thousands)

| | GENERAL FUND | | | |
|--|--------------------|---------------------|---------------------|-------------------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| Beginning Budgetary Fund Balance Restated | \$ 723,683 | \$ 723,683 | \$ 723,683 | \$ - |
| Resources (inflows): | | | | |
| General Purpose Revenues: | | | | |
| Taxes | 7,569,700 | 8,220,694 | 8,220,694 | - |
| Federal | 29,000 | 17,325 | 17,325 | - |
| Local | 500 | 2,413 | 2,413 | - |
| Licenses and permits | 29,000 | 15,422 | 15,422 | - |
| Services | 10,000 | 11,878 | 11,878 | - |
| Miscellaneous | 197,000 | 326,739 | 326,739 | - |
| Transfers in | 176,800 | 173,717 | 173,717 | - |
| Restricted Revenues: | | | | |
| Taxes | 3,028,749 | 4,014,787 | 4,014,787 | - |
| Federal | 16,668,713 | 16,265,719 | 16,265,719 | - |
| Local | 314,829 | 238,320 | 238,320 | - |
| Licenses and permits | 362,257 | 274,225 | 274,225 | - |
| Services | 326,095 | 305,097 | 305,097 | - |
| Miscellaneous | 885,997 | 498,301 | 498,301 | - |
| Bonds issued | - | 210,739 | 210,739 | - |
| Refunding bonds issued | - | 262 | 262 | - |
| Proceeds from sale of capital assets | - | 1,742 | 1,742 | - |
| Transfers in | 40,447 | 57,060 | 57,060 | - |
| Total Revenue Inflows | <u>29,639,087</u> | <u>30,634,439</u> | <u>30,634,439</u> | <u>-</u> |
| Amounts Available for Appropriation | <u>30,362,770</u> | <u>31,358,122</u> | <u>31,358,122</u> | <u>-</u> |
| Charges to Appropriations (outflows): | | | | |
| Legislative Branch | 132,712 | 123,467 | 122,870 | 597 |
| Judicial Branch | 260,359 | 237,646 | 235,429 | 2,217 |
| Executive Branch: | | | | |
| Agriculture | 76,448 | 62,376 | 62,333 | 42 |
| Attorney General | 72,409 | 63,185 | 62,868 | 317 |
| Civil Rights | 12,779 | 11,938 | 11,485 | 453 |
| Colleges and Universities Grants | 1,841,368 | 1,865,270 | 1,865,210 | 59 |
| Community Health | 14,043,849 | 14,402,989 | 14,331,567 | 71,423 |
| Corrections | 1,986,734 | 1,941,374 | 1,934,555 | 6,818 |
| Education | 157,166 | 108,992 | 108,420 | 572 |
| Environmental Quality | 407,259 | 190,517 | 190,503 | 13 |
| Executive Office | 4,631 | 4,631 | 4,512 | 119 |
| Human Services | 6,950,191 | 6,360,701 | 6,316,375 | 44,325 |
| Licensing and Regulatory Affairs | 1,047,718 | 971,254 | 952,021 | 19,233 |
| Military and Veterans Affairs | 143,666 | 135,017 | 134,444 | 573 |
| Natural Resources | 106,197 | 64,950 | 64,906 | 43 |
| State | 223,667 | 185,189 | 176,710 | 8,479 |
| State Police | 530,187 | 495,550 | 494,989 | 561 |
| Technology, Management and Budget | 495,071 | 551,726 | 539,357 | 12,369 |
| Transportation | - | - | - | - |
| Treasury | 1,493,936 | 3,126,061 | 3,093,952 | 32,109 |
| Intrafund expenditure reimbursements | - | (716,282) | (716,282) | - |
| Total Charges to Appropriations | <u>29,986,346</u> | <u>30,186,549</u> | <u>29,986,227</u> | <u>200,322</u> |
| Reconciling Items: | | | | |
| Change in noncurrent assets | - | (1,771) | (1,771) | - |
| Net Reconciling Items | - | (1,771) | (1,771) | - |
| Ending Budgetary Fund Balance | <u>\$ 376,424</u> | <u>\$ 1,169,802</u> | <u>\$ 1,370,124</u> | <u>\$ 200,322</u> |

Michigan

| SCHOOL AID FUND | | | | |
|--------------------|-----------------|------------|-------------------------------|---|
| ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET | |
| \$ 257,840 | \$ 257,840 | \$ 257,840 | \$ - | |
| 10,232,463 | 10,543,269 | 10,543,269 | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | 19,910 | 19,910 | | - |
| 770,206 | 277,711 | 277,711 | | - |
| 1,861,201 | 2,468,558 | 2,468,558 | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | 6,413 | 6,413 | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | 468,256 | 468,256 | | - |
| 12,863,870 | 13,784,118 | 13,784,118 | | - |
| 13,121,710 | 14,041,958 | 14,041,958 | | - |
| 12,845,130 | 13,302,718 | 13,296,844 | 5,874 | |
| - | - | - | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | - | - | | - |
| - | - | - | | - |
| 12,845,130 | 13,302,718 | 13,296,844 | 5,874 | |
| (3,253) | (3,253) | (3,253) | | - |
| (3,253) | (3,253) | (3,253) | | - |
| \$ 276,580 | \$ 735,986 | \$ 741,860 | \$ 5,874 | |

Michigan

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

BUDGET-TO-GAAP RECONCILIATION

SEPTEMBER 30, 2011

(In Thousands)

| | GENERAL FUND | SCHOOL AID FUND |
|---|----------------------|-----------------------|
| Sources/inflows of resources | | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule. | \$ 31,358,122 | \$ 14,041,958 |
| Differences - budget to GAAP: | | |
| Budgetary fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. | (723,683) | (257,840) |
| Proceeds from sale of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes. | (1,742) | - |
| Bonds issued are inflows of budgetary resources but are not revenues for financial reporting purposes. | (211,001) | - |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes. | (230,777) | (745,967) |
| Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. | <u>\$ 30,190,919</u> | <u>\$ 13,038,151</u> |
| Uses/outflows of resources | | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule. | \$ 29,986,227 | \$ 13,296,844 |
| Differences - budget to GAAP: | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. | (21,169) | (6,820) |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes. | (313,437) | (2,837) |
| Capital lease acquisitions are not outflows of budgetary resources but are recorded as current expenditures and other financing sources under GAAP. | 171,094 | - |
| Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. | <u>\$ 29,822,715</u> | <u>\$ 13,287,187</u> |

Required Supplementary Information

Notes to Required Supplementary Information – Budgetary Reporting

Statutory/Budgetary Presentation

The various funds and programs within funds utilize a number of different budgetary control processes. Annual legislative appropriations and revenue estimates are provided for most "operating" funds. Note 2 of the basic financial statements identifies the annually budgeted operating funds.

The original executive budget and original legislative appropriations provide general purpose (unrestricted) revenue estimates in order to demonstrate compliance with constitutional provisions. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

The budgetary comparison schedule presented for the General Fund and the School Aid Fund presents both the original and final appropriated budgets for fiscal year 2011, as well as the actual resource inflows, outflows, and fund balance stated on the budgetary basis. The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, by fund type, for non-major special revenue and permanent funds with annual budgets. Those schedules only include the final appropriated budget.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of October 1, 2010, and includes multi-year projects budgetary carry-forwards from the prior fiscal year.

The budgetary fund balance represents total fund balance, net of noncurrent assets and prior year encumbrances. Noncurrent assets do not represent current financial resources available for appropriation and are removed for budgetary purposes. Prior year encumbrances are considered uses of spending authority in the year the State incurs an obligation and are also removed.

Generally Accepted Accounting Principles (GAAP) require that the final legal budget be reflected in the "final budget" column, therefore updated revenue estimates available for appropriations as of November 30, rather than the amounts shown in the original budget, are reported. The November 30 date is used because P.A. 431 of 1984, as amended, permits budget adjustments by the Legislature through 60 days after year-end.

The final appropriations budget represents original and supplemental appropriations, carry-forwards, carry-backs (i.e., current year appropriations for prior year overdrafts), approved transfers, executive order reductions, and timing differences. Expenditures, transfers out, other financing uses, and encumbrances are combined and classified by department rather than being reported by character and function as shown in the GAAP statements. This departmental classification is used to better reflect organizational responsibility and to be more consistent with the budget process. Appropriations include interagency expenditure reimbursement, in which one agency provides funding to another agency within the same fund. The final budget and actual amounts are adjusted to eliminate the duplication.

The timing differences result from unspent authorizations for multi-year projects, such as capital outlay and work projects, and from restricted revenues that had not been appropriated for expenditure in the current year. Such authorization balances remaining at year-end are removed from the final budget column to provide an "annualized" budget.

Positive "variances" reflect restricted revenues that were appropriated and available for expenditure in the current year and unused general purpose spending authority (lapses); negative "variances" reflect budgetary overdrafts. If both positive and negative variances exist for a particular line, the amount shown is the net variance.

Statutory/Budgetary Reconciliation

The statutory/budgetary basis presentation differs from GAAP in ways that do not affect ending fund balance.

For budgetary reporting purposes, expenditures and transfers out in the "Actual" column include recorded encumbrances, because they are considered uses of spending authority in the year the State incurs an obligation. Therefore, the "Original" and "Final Budget" columns do not include encumbrance authorization balances carried over from the prior fiscal year. In the GAAP basis statements, expenditures do not include encumbrances. The effect of this difference is reflected as a reconciling item on the Budgetary Comparison Schedule for the major funds and the Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the non-major special revenue funds and permanent funds.

For budgetary purposes, capitalizable lease expenditures are recognized when payments are due, rather than upon lease inception as required by GAAP. This difference does not affect fund balance because the "other financing sources" recorded under GAAP at lease inception are not recorded on the statutory/budgetary basis.

Statewide Authorization Dispositions

Subsequent to the release of this report, the State publishes "Statewide Authorization Dispositions" to demonstrate its compliance with the legal level of budgetary control. The report includes line-item appropriation details for the General Fund and budgeted operating funds, and is available by contacting the Office of Financial Management at (517) 373-1010.

Required Supplementary Information

Information About Infrastructure Assets Reported Using the Modified Approach

As allowed by Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the State's network of public transportation roads and bridges, including ancillary assets, such as guard rails, signs, lighting, culverts, fencing, and the like. The State is responsible for maintaining approximately 27,439 lane miles of roads and 4,764 bridges (spans in excess of 20 feet).

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Roads**Measurement Scale**

The Michigan Department of Transportation (MDOT) uses numerous methods to determine the condition of roadway pavements; however, the Sufficiency Rating serves as the State's primary method to measure and monitor pavement conditions. In use since 1961, the Sufficiency Rating is a visual analysis conducted by an engineer and includes a 5-point scale, as follows:

| Rating | Bituminous Surface | Concrete Surface |
|----------------------------|--|---|
| 1.0 = Excellent | Pavement shows no visible deterioration. Distresses are non-existent. | Same |
| 2.0 = Good | Some indication of initial deterioration, but not yet requiring appreciable amounts of maintenance. Distress items include the start of small transverse and/or longitudinal cracks. Slight rutting may be apparent in the wheel path. | Some indication of initial deterioration, but not yet requiring appreciable amounts of maintenance. Distress items may include the start of small transverse and/or longitudinal cracks, or slight seam and joint separation. Joints may show very small amounts of deterioration. |
| 3.0 = Fair | Average deterioration requiring occasional routine maintenance. Distresses may include minor transverse and longitudinal cracking becoming continuous throughout the segment. Severe cracking is patched effectively. Rutting may be a little more severe and hold small amounts of water. | Average deterioration requiring occasional routine maintenance. Distresses may include minor transverse and longitudinal cracking becoming continuous throughout the segment. Severe cracking is patched effectively. Through-lanes and shoulders may begin to show separation from failing tie bars. |
| 4.0 = Poor | Excessive deterioration requiring frequent maintenance and warrants resurfacing soon. Distress may be evident in wide transverse and longitudinal cracks. Severe "shallow cracking" could be evident if the pavement is composite. If the segment has been patched, the cracks may be showing through. Rutting is severe and may effect driving. | Excessive deterioration requiring frequent maintenance and warrants resurfacing soon. Distress may be evident in wide transverse and longitudinal cracks. If the segment has been patched, cracks may be showing through. Joint repairs could begin to fail. Shoulder and/or through-lane separation may be apparent. Popouts or spalling could also be present in the section. |
| 5.0 = Very Poor/ Failed | Extreme deterioration requiring continuous maintenance and warrants resurfacing or total cross-section replacement. Distress items may include severe transverse and longitudinal cracking or severe alligator cracking. Shadow cracking in composite pavement is wider than one inch. Rutting in wheel path may be severe and patching is no longer beneficial to pavement condition. | Extreme deterioration requiring continuous maintenance and warrants resurfacing or total cross-section replacement. Distress items may include severe transverse and longitudinal cracking, joints failing, and the patching is no longer beneficial to pavement condition. Spalling and edge cracking could also be severe. |

Established Condition Level

No more than 30% of the pavements shall be rated as "Poor" or "Very Poor."

Assessed Conditions

The State assesses condition on a calendar year basis. The following table reports the percentage of pavements meeting ratings of "Good" or "Poor," for the past three years. "Good" represents ratings of 1.0 through 3.0 above and "Poor" represents ratings of 4.0 and 5.0.

| Rating | 2010 | 2009 | 2008 |
|---------------|-------------|-------------|-------------|
| Good | 83.0% | 83.0% | 82.7% |
| Poor | 17.0% | 17.0% | 17.3% |

Michigan

Bridges

Measurement Scale

MDOT utilizes the National Bridge Inventory (NBI) to monitor the condition of bridges (spans in excess of 20 feet) under its jurisdiction. The inventory rates bridges, including the deck, superstructure and substructure, using a 10-point scale:

| Rating | Description |
|--------|--|
| 9 | Excellent (no specific definition). |
| 8 | Very good. No problems noted. |
| 7 | Good. Some minor problems. |
| 6 | Satisfactory. Structural elements show some minor deterioration. |
| 5 | Fair. All primary structural elements are sound but may have minor section loss, cracking, spalling, or scour. |
| 4 | Poor. Advanced section loss, deterioration, spalling, or scour. |
| 3 | Serious. Loss of section, deterioration, spalling, or scour have seriously affected primary structural components. Local failures are possible. Fatigue cracks in steel or shear cracks in concrete may be present. |
| 2 | Critical. Advanced deterioration of primary structural elements. Fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support. Unless closely monitored it may be necessary to close the bridge until corrective action is taken. |
| 1 | Imminent failure. Major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability. Bridge is closed to traffic, but corrective action may put it back in light service. |
| 0 | Failure. Out of service; beyond corrective action. |

Established Condition Level

No more than 35% of the highway bridges shall be rated as "structurally deficient."

Assessed Conditions

A highway bridge is classified as structurally deficient if the deck, superstructure, substructure, or culvert is rated in "poor" condition (0 to 4 on the NBI rating scale). A bridge can also be classified as structurally deficient if its load carrying capacity is significantly below current design standards or if a waterway below frequently overtops the bridge during floods. The following table reports the percentage of bridges whose condition was assessed as "structurally deficient," in the stated year:

| Fiscal Year | Structurally Deficient |
|-------------|------------------------|
| 2011 | 8.0% |
| 2010 | 9.6% |
| 2009 | 9.9% |

Bridges that are not intended to carry highway traffic are not included in MDOT's condition assessment. As a result, the number of bridges that were evaluated (4,422) in fiscal year 2011 is less than the total (4,764) maintained by the department.

Estimated and Actual Costs to Maintain

The following table presents the State's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the "Established Condition Levels" cited above, and the actual amount spent during the past five fiscal years (in millions):

| Fiscal Year | Estimated Spending | Actual Spending |
|-------------|--------------------|-----------------|
| 2012 | \$719.0 | \$ - |
| 2011 | \$766.0 | \$752.8 |
| 2010 | \$1,162.0 | \$829.2 |
| 2009 | \$1,081.7 | \$1,028.7 |
| 2008 | \$829.0 | \$1,003.7 |
| 2007 | \$1,013.0 | \$1,139.0 |

Beginning in fiscal year 2010, certain types of projects were capitalized that had been expensed as maintenance in previous years. Amounts for prior years are not available.





II. FINANCIAL SECTION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES – NON-MAJOR FUNDS

Michigan

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

SEPTEMBER 30, 2011

(In Thousands)

| | SPECIAL REVENUE FUNDS | DEBT SERVICE FUNDS | CAPITAL PROJECTS FUNDS | PERMANENT FUNDS | TOTALS |
|---|-----------------------------|--------------------------|------------------------------|--------------------|---------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash | \$ 203 | \$ - | \$ 1,159 | \$ - | \$ 1,362 |
| Equity in common cash | 549,968 | 1,368 | 726,933 | 261,079 | 1,539,348 |
| Taxes, interest, and penalties receivable | 105,949 | - | 657 | - | 106,606 |
| Amounts due from other funds | 45,051 | - | 55,171 | - | 100,222 |
| Amounts due from component units | - | - | 1,196 | - | 1,196 |
| Amounts due from federal agencies | 32,557 | - | 222,196 | - | 254,753 |
| Amounts due from local units | 1,966 | - | 59,263 | 76 | 61,304 |
| Inventories | 377 | - | 12,933 | - | 13,310 |
| Investments | - | 209,371 | 19,187 | - | 228,558 |
| Other current assets | 169,698 | - | 2,976 | 9,470 | 182,144 |
| Total Current Assets | <u>905,768</u> | <u>210,739</u> | <u>1,101,671</u> | <u>270,626</u> | <u>2,488,803</u> |
| Taxes, interest, and penalties receivable | 2,620 | - | - | - | 2,620 |
| Amounts due from local units | 18,409 | - | 26,071 | - | 44,480 |
| Investments | 202,926 | - | - | 662,026 | 864,952 |
| Other noncurrent assets | 6,417 | - | 417 | - | 6,834 |
| Total Assets | <u>\$ 1,136,139</u> | <u>\$ 210,739</u> | <u>\$ 1,128,159</u> | <u>\$ 932,652</u> | <u>\$ 3,407,689</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Current Liabilities: | | | | | |
| Warrants outstanding | \$ 2,073 | \$ - | \$ 3,990 | \$ 975 | \$ 7,038 |
| Accounts payable and other liabilities | 255,494 | 171 | 279,693 | 8,980 | 544,338 |
| Amounts due to other funds | 42,565 | - | 68,991 | 62 | 111,618 |
| Bonds and notes payable | - | - | 10,500 | - | 10,500 |
| Interest payable | - | - | 2 | - | 2 |
| Deferred revenue | 177,916 | - | 5,844 | - | 183,760 |
| Total Current Liabilities | <u>478,048</u> | <u>171</u> | <u>369,020</u> | <u>10,017</u> | <u>857,255</u> |
| Long-Term Liabilities: | | | | | |
| Deferred revenue | <u>8,581</u> | <u>-</u> | <u>467</u> | <u>-</u> | <u>9,049</u> |
| Total Liabilities | <u>486,629</u> | <u>171</u> | <u>369,487</u> | <u>10,017</u> | <u>866,304</u> |
| Fund Balances: | | | | | |
| Nonspendable | 210,687 | - | 12,933 | 705,457 | 929,077 |
| Restricted | 300,913 | 210,568 | 786,864 | 217,178 | 1,515,523 |
| Committed | 137,910 | - | - | - | 137,910 |
| Unassigned | - | - | (41,126) | - | (41,126) |
| Total Fund Balances | <u>649,510</u> | <u>210,568</u> | <u>758,672</u> | <u>922,635</u> | <u>2,541,385</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,136,139</u> | <u>\$ 210,739</u> | <u>\$ 1,128,159</u> | <u>\$ 932,652</u> | <u>\$ 3,407,689</u> |

Michigan

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | SPECIAL REVENUE FUNDS | DEBT SERVICE FUNDS | CAPITAL PROJECTS FUNDS | PERMANENT FUNDS | TOTALS |
|---|-----------------------------|--------------------------|------------------------------|--------------------|---------------------|
| REVENUES | | | | | |
| Taxes | \$ 1,907,585 | \$ - | \$ 5,621 | \$ - | \$ 1,913,207 |
| From federal agencies | 221,056 | - | 1,428,740 | - | 1,649,797 |
| From local agencies | - | - | 17,305 | - | 17,305 |
| From services | 3,494 | - | 1,330 | - | 4,825 |
| From licenses and permits | 158,366 | - | 16,743 | - | 175,109 |
| Miscellaneous | 535,705 | 6 | 61,981 | 74,166 | 671,858 |
| Total Revenues | <u>2,826,207</u> | <u>6</u> | <u>1,531,722</u> | <u>74,166</u> | <u>4,432,101</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 296,221 | 567 | - | 488 | 297,276 |
| Education | - | 1,907 | 79,197 | - | 81,103 |
| Human services | 32,678 | - | - | - | 32,678 |
| Public safety and corrections | 930 | - | - | 2,126 | 3,056 |
| Conservation, environment, recreation, and agriculture | 191,964 | - | 1 | 15,048 | 207,013 |
| Labor, commerce, and regulatory | 237,815 | - | - | - | 237,815 |
| Health services | 84,470 | - | - | - | 84,470 |
| Transportation | 1,149,640 | - | 919,933 | - | 2,069,572 |
| Capital outlay | 3,974 | - | 1,111,933 | 35,867 | 1,151,773 |
| Debt Service: | | | | | |
| Bond principal retirement | - | 231,577 | - | - | 231,577 |
| Bond interest and fiscal charges | - | 311,955 | - | - | 311,955 |
| Capital lease payments | 576 | - | 344 | - | 920 |
| Total Expenditures | <u>1,998,267</u> | <u>546,006</u> | <u>2,111,407</u> | <u>53,527</u> | <u>4,709,207</u> |
| Excess of Revenues over (under) Expenditures | <u>827,940</u> | <u>(546,000)</u> | <u>(579,685)</u> | <u>20,638</u> | <u>(277,107)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bonds and notes issued | - | - | 263,539 | - | 263,539 |
| Refunding bonds issued | - | 543,105 | - | - | 543,105 |
| Premium on bond issuance | - | 6,308 | 5,908 | - | 12,216 |
| Discount on bond issuance | - | (55) | (94) | - | (150) |
| Payment to refunded bond escrow agent | - | (549,296) | - | - | (549,296) |
| Capital lease acquisitions | - | - | 1,018 | - | 1,018 |
| Proceeds from sale of capital assets | - | - | 53 | 2 | 55 |
| Transfers from other funds | 199,923 | 533,883 | 894,517 | 11,833 | 1,640,156 |
| Transfers to other funds | <u>(1,014,939)</u> | <u>-</u> | <u>(352,655)</u> | <u>(10,175)</u> | <u>(1,377,769)</u> |
| Total Other Financing Sources (Uses) | <u>(815,015)</u> | <u>533,945</u> | <u>812,285</u> | <u>1,659</u> | <u>532,874</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | <u>12,925</u> | <u>(12,055)</u> | <u>232,600</u> | <u>22,298</u> | <u>255,767</u> |
| Fund Balances - Beginning of fiscal year - restated | <u>636,586</u> | <u>222,622</u> | <u>526,072</u> | <u>900,337</u> | <u>2,285,617</u> |
| Fund Balances - End of fiscal year | <u>\$ 649,510</u> | <u>\$ 210,568</u> | <u>\$ 758,672</u> | <u>\$ 922,635</u> | <u>\$ 2,541,385</u> |

Michigan

BALANCE SHEET
SPECIAL REVENUE FUNDS - BY CLASSIFICATION

SEPTEMBER 30, 2011

(In Thousands)

| | TRANSPORTATION RELATED | CONSERVATION, ENVIRONMENT, AND RECREATION RELATED | REGULATORY AND ADMINISTRATIVE RELATED | OTHER STATE FUNDS | TOTALS |
|--|---------------------------|---|--|-------------------------|---------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash | \$ 13 | \$ 188 | \$ 1 | \$ 1 | \$ 203 |
| Equity in common cash | 185,508 | 166,232 | 52,076 | 146,152 | 549,968 |
| Taxes, interest, and penalties receivable | 105,764 | 185 | - | - | 105,949 |
| Amounts due from other funds | 25,017 | - | 20,034 | - | 45,051 |
| Amounts due from federal agencies | 18,726 | 1,150 | 12,680 | - | 32,557 |
| Amounts due from local units | 892 | 1,074 | - | - | 1,966 |
| Inventories | - | 377 | - | - | 377 |
| Other current assets | 59 | 8,735 | 2,494 | 158,410 | 169,698 |
| Total Current Assets | <u>335,979</u> | <u>177,941</u> | <u>87,285</u> | <u>304,563</u> | <u>905,768</u> |
| Taxes, interest, and penalties receivable | 2,619 | 1 | - | - | 2,620 |
| Amounts due from local units | 3,063 | 15,346 | - | - | 18,409 |
| Investments | - | 181,400 | - | 21,526 | 202,926 |
| Other noncurrent assets | 577 | 1,198 | - | 4,643 | 6,417 |
| Total Assets | <u>\$ 342,238</u> | <u>\$ 375,885</u> | <u>\$ 87,285</u> | <u>\$ 330,731</u> | <u>\$ 1,136,139</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Current Liabilities: | | | | | |
| Warrants outstanding | \$ 1,005 | \$ 257 | \$ 714 | \$ 98 | \$ 2,073 |
| Accounts payable and other liabilities | 220,023 | 15,519 | 18,790 | 1,162 | 255,494 |
| Amounts due to other funds | 27,061 | 909 | 14,573 | 22 | 42,565 |
| Deferred revenue | 12,456 | 1,073 | 6,141 | 158,245 | 177,916 |
| Total Current Liabilities | <u>260,545</u> | <u>17,758</u> | <u>40,218</u> | <u>159,526</u> | <u>478,048</u> |
| Long-Term Liabilities: | | | | | |
| Deferred revenue | 3,421 | 1,198 | - | 3,962 | 8,581 |
| Total Liabilities | <u>263,966</u> | <u>18,956</u> | <u>40,218</u> | <u>163,488</u> | <u>486,629</u> |
| Fund Balances: | | | | | |
| Nonspendable | - | 188,846 | - | 21,841 | 210,687 |
| Restricted | 78,272 | 168,084 | 45,023 | 9,535 | 300,913 |
| Committed | - | - | 2,043 | 135,867 | 137,910 |
| Total Fund Balances | <u>78,272</u> | <u>356,929</u> | <u>47,066</u> | <u>167,243</u> | <u>649,510</u> |
| Total Liabilities and Fund Balances | <u>\$ 342,238</u> | <u>\$ 375,885</u> | <u>\$ 87,285</u> | <u>\$ 330,731</u> | <u>\$ 1,136,139</u> |

Michigan

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

SPECIAL REVENUE FUNDS - BY CLASSIFICATION

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | TRANSPORTATION RELATED | CONSERVATION, ENVIRONMENT, AND RECREATION RELATED | REGULATORY AND ADMINISTRATIVE RELATED | OTHER STATE FUNDS | TOTALS |
|---|---------------------------|---|--|-------------------------|---------------------|
| REVENUES | | | | | |
| Taxes | \$ 1,907,362 | \$ 224 | \$ - | \$ - | \$ 1,907,585 |
| From federal agencies | 42,312 | 3,642 | 174,136 | 967 | 221,056 |
| From services | 3,493 | - | 1 | - | 3,494 |
| From licenses and permits | 31,096 | 118,706 | 8,564 | - | 158,366 |
| Miscellaneous | 2,737 | 69,689 | 69,316 | 393,963 | 535,705 |
| Total Revenues | 1,986,999 | 192,260 | 252,017 | 394,930 | 2,826,207 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | 1,422 | 20,618 | 274,181 | 296,221 |
| Human services | - | - | - | 32,678 | 32,678 |
| Public safety and corrections | - | - | - | 930 | 930 |
| Conservation, environment, recreation, and agriculture | - | 191,964 | - | - | 191,964 |
| Labor, commerce, and regulatory | - | - | 221,836 | 15,979 | 237,815 |
| Health services | - | - | - | 84,470 | 84,470 |
| Transportation | 1,149,640 | - | - | - | 1,149,640 |
| Capital outlay | - | 3,974 | - | - | 3,974 |
| Debt Service: | | | | | |
| Capital lease payments | - | - | 576 | - | 576 |
| Total Expenditures | 1,149,640 | 197,360 | 243,029 | 408,239 | 1,998,267 |
| Excess of Revenues over (under) Expenditures | 837,360 | (5,100) | 8,988 | (13,308) | 827,940 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from other funds | 158,670 | 32,227 | 9,027 | - | 199,923 |
| Transfers to other funds | (980,178) | (19,620) | (14,986) | (155) | (1,014,939) |
| Total Other Financing Sources (Uses) | (821,508) | 12,608 | (5,959) | (155) | (815,015) |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 15,852 | 7,508 | 3,029 | (13,463) | 12,925 |
| Fund Balances - Beginning of fiscal year - restated | 62,420 | 349,422 | 44,038 | 180,707 | 636,586 |
| Fund Balances - End of fiscal year | \$ 78,272 | \$ 356,929 | \$ 47,066 | \$ 167,243 | \$ 649,510 |

Michigan

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - BY CLASSIFICATION**
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)

| <u>Statutory/Budgetary Basis</u> | TRANSPORTATION RELATED | | | CONSERVATION, ENVIRONMENT, AND RECREATION RELATED | | |
|--|------------------------|------------------|-----------------|--|-------------------|-----------------|
| | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| REVENUES AND OTHER SOURCES | | | | | | |
| Taxes | \$ 1,907,362 | \$ 1,907,362 | \$ - | \$ 224 | \$ 224 | \$ - |
| From federal agencies | 42,312 | 42,312 | - | 3,290 | 3,290 | - |
| From services | 3,493 | 3,493 | - | - | - | - |
| From licenses and permits | 31,096 | 31,096 | - | 118,706 | 118,706 | - |
| Miscellaneous | 2,737 | 2,737 | - | 36,771 | 36,771 | - |
| Transfers in | 158,670 | 158,670 | - | 32,227 | 32,227 | - |
| Total Revenues and Other Sources | <u>2,145,669</u> | <u>2,145,669</u> | <u>-</u> | <u>191,218</u> | <u>191,218</u> | <u>-</u> |
| EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY | | | | | | |
| Attorney General | - | - | - | - | - | - |
| Community Health | - | - | - | - | - | - |
| Human Services | - | - | - | - | - | - |
| Licensing and Regulatory Affairs | - | - | - | - | - | - |
| Military and Veterans Affairs | - | - | - | - | - | - |
| State Police | - | - | - | - | - | - |
| Natural Resources | - | - | - | 203,575 | 197,947 | 5,628 |
| Transportation | 2,171,819 | 2,164,180 | 7,639 | - | - | - |
| Treasury | - | - | - | 1,929 | 1,419 | 510 |
| Total Expenditures, Transfers Out, and Encumbrances | <u>2,171,819</u> | <u>2,164,180</u> | <u>7,639</u> | <u>205,503</u> | <u>199,366</u> | <u>6,138</u> |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | \$ <u>(26,150)</u> | <u>(18,511)</u> | \$ <u>7,639</u> | \$ <u>(14,286)</u> | <u>(8,148)</u> | \$ <u>6,138</u> |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | 34,363 | | | 14,077 | |
| Funds not annually budgeted | | - | | | 1,579 | |
| Net Reconciling Items | | <u>34,363</u> | | | <u>15,656</u> | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | <u>15,852</u> | | | <u>7,508</u> | |
| FUND BALANCES (GAAP BASIS) | | | | | | |
| Beginning balances - restated | | <u>62,420</u> | | | <u>349,422</u> | |
| Ending balances (GAAP Basis) | | <u>\$ 78,272</u> | | | <u>\$ 356,929</u> | |

Michigan

| REGULATORY AND ADMINISTRATIVE RELATED | | | OTHER STATE FUNDS | | | TOTALS | | |
|--|----------------|-----------------|---------------------|-----------------|-------------------|---------------------|------------------|-------------------|
| BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| \$ - | \$ 174,136 | \$ - | \$ - | \$ 967 | \$ - | \$ 1,907,585 | \$ 1,907,585 | \$ - |
| - | 174,136 | - | - | 967 | - | 220,705 | 220,705 | - |
| 1 | 1 | - | - | - | - | 3,494 | 3,494 | - |
| 8,564 | 8,564 | - | - | - | - | 158,366 | 158,366 | - |
| 42,924 | 42,924 | - | 192,532 | 192,532 | - | 274,963 | 274,963 | - |
| 9,027 | 9,027 | - | - | - | - | 199,923 | 199,923 | - |
| 234,651 | 234,651 | - | 193,498 | 193,498 | - | 2,765,037 | 2,765,037 | - |
| | | | | | | | | |
| - | - | - | 409 | 304 | 105 | 409 | 304 | 105 |
| - | - | - | 84,470 | 84,470 | - | 84,470 | 84,470 | - |
| - | - | - | 34,890 | 32,704 | 2,186 | 34,890 | 32,704 | 2,186 |
| 206,772 | 199,825 | 6,948 | - | - | - | 206,772 | 199,825 | 6,948 |
| - | - | - | 1,001 | 333 | 668 | 1,001 | 333 | 668 |
| - | - | - | 631 | 607 | 24 | 631 | 607 | 24 |
| - | - | - | - | - | - | 203,575 | 197,947 | 5,628 |
| - | - | - | - | - | - | 2,171,819 | 2,164,180 | 7,639 |
| 33,038 | 33,038 | - | 226,714 | 90,507 | 136,207 | 261,681 | 124,964 | 136,717 |
| | | | | | | | | |
| 239,810 | 232,863 | 6,948 | 348,114 | 208,925 | 139,190 | 2,965,247 | 2,805,333 | 159,914 |
| | | | | | | | | |
| \$ (5,159) | 1,789 | \$ 6,948 | \$ (154,616) | (15,426) | \$ 139,190 | \$ (200,210) | (40,297) | \$ 159,914 |
| | | | | | | | | |
| 223 | | | 22 | | | 48,685 | | |
| 1,017 | | | 1,941 | | | 4,537 | | |
| | | | | | | | | |
| 1,240 | | | 1,963 | | | 53,221 | | |
| | | | | | | | | |
| 3,029 | | | (13,463) | | | 12,925 | | |
| | | | | | | | | |
| 44,038 | | | 180,707 | | | 636,586 | | |
| | | | | | | | | |
| \$ 47,066 | | | \$ 167,243 | | | \$ 649,510 | | |



SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED

MICHIGAN TRANSPORTATION FUND

Established pursuant to Michigan Compiled Laws Section 247.660, this fund accounts for the receipt and distribution of several tax revenues dedicated for highway purposes. Transfers are made to the General Fund, State Trunkline Fund, and the Comprehensive Transportation Fund. Expenditures include grants to counties, cities, and villages for highway purposes.

COMPREHENSIVE TRANSPORTATION FUND

Established pursuant to Michigan Compiled Laws Section 247.660, this fund accounts for the planning and development of public transportation systems within the State. Federal revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund provide financing for expenditures.

Michigan

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
 SEPTEMBER 30, 2011
 (In Thousands)

| | MICHIGAN TRANSPORTATION FUND | COMPREHENSIVE TRANSPORTATION FUND | TOTALS |
|---|------------------------------------|---|-------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$ - | \$ 13 | \$ 13 |
| Equity in common cash | 129,721 | 55,787 | 185,508 |
| Taxes, interest, and penalties receivable | 105,764 | - | 105,764 |
| Amounts due from other funds | - | 25,017 | 25,017 |
| Amounts due from federal agencies | - | 18,726 | 18,726 |
| Amounts due from local units | - | 892 | 892 |
| Other current assets | 15 | 43 | 59 |
| Total Current Assets | 235,501 | 100,479 | 335,979 |
| Taxes, interest, and penalties receivable | 2,619 | - | 2,619 |
| Amounts due from local units | - | 3,063 | 3,063 |
| Other noncurrent assets | - | 577 | 577 |
| Total Assets | \$ 238,119 | \$ 104,118 | \$ 342,238 |
| LIABILITIES AND FUND BALANCES | | | |
| Current Liabilities: | | | |
| Warrants outstanding | \$ 589 | \$ 416 | \$ 1,005 |
| Accounts payable and other liabilities | 195,801 | 24,222 | 220,023 |
| Amounts due to other funds | 27,010 | 50 | 27,061 |
| Deferred revenue | 12,100 | 356 | 12,456 |
| Total Current Liabilities | 235,501 | 25,045 | 260,545 |
| Long-Term Liabilities: | | | |
| Deferred revenue | 2,619 | 802 | 3,421 |
| Total Liabilities | 238,119 | 25,847 | 263,966 |
| Fund Balances: | | | |
| Restricted | - | 78,272 | 78,272 |
| Total Fund Balances | - | 78,272 | 78,272 |
| Total Liabilities and Fund Balances | \$ 238,119 | \$ 104,118 | \$ 342,238 |

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)

| | MICHIGAN TRANSPORTATION FUND | COMPREHENSIVE TRANSPORTATION FUND | TOTALS |
|---|------------------------------------|---|-------------------------|
| REVENUES | | | |
| Taxes | \$ 1,817,337 | \$ 90,025 | \$ 1,907,362 |
| From federal agencies | - | 42,312 | 42,312 |
| From services | 3,493 | - | 3,493 |
| From licenses and permits | 30,691 | 405 | 31,096 |
| Miscellaneous | 287 | 2,450 | 2,737 |
| Total Revenues | <u>1,851,808</u> | <u>135,192</u> | <u>1,986,999</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Transportation | <u>901,921</u> | <u>247,718</u> | <u>1,149,640</u> |
| Total Expenditures | <u>901,921</u> | <u>247,718</u> | <u>1,149,640</u> |
| Excess of Revenues over (under) Expenditures | <u>949,886</u> | <u>(112,526)</u> | <u>837,360</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | 302 | 158,368 | 158,670 |
| Transfers to other funds | <u>(950,188)</u> | <u>(29,990)</u> | <u>(980,178)</u> |
| Total Other Financing Sources (Uses) | <u>(949,886)</u> | <u>128,378</u> | <u>(821,508)</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | - | 15,852 | 15,852 |
| Fund Balances - Beginning of fiscal year - restated | - | 62,420 | 62,420 |
| Fund Balances - End of fiscal year | <u>\$ -</u> | <u>\$ 78,272</u> | <u>\$ 78,272</u> |

Michigan

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

| | MICHIGAN TRANSPORTATION FUND | | |
|--|------------------------------|------------------|-----------------|
| <u>Statutory/Budgetary Basis</u> | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE</u> |
| REVENUES AND OTHER SOURCES | | | |
| Taxes | \$ 1,817,337 | \$ 1,817,337 | \$ - |
| From federal agencies | - | - | - |
| From services | 3,493 | 3,493 | - |
| From licenses and permits | 30,691 | 30,691 | - |
| Miscellaneous | 287 | 287 | - |
| Transfers in | 302 | 302 | - |
| Total Revenues and Other Sources | <u>1,852,109</u> | <u>1,852,109</u> | - |
| EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY | | | |
| Transportation | 1,855,776 | 1,852,109 | 3,667 |
| Total Expenditures, Transfers Out, and Encumbrances | <u>1,855,776</u> | <u>1,852,109</u> | 3,667 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | <u>\$ (3,667)</u> | - | <u>\$ 3,667</u> |
| Reconciling Items: | | | |
| Encumbrances at September 30 | - | - | - |
| Net Reconciling Items | - | - | - |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | - | - | - |
| FUND BALANCES (GAAP BASIS) | | | |
| Beginning balances - restated | - | - | - |
| Ending balances (GAAP Basis) | <u>\$ -</u> | <u>\$ -</u> | - |

Michigan

COMPREHENSIVE TRANSPORTATION FUND

| | | | | TOTALS | | |
|----|------------------|-----------------|-----------------|--------------------|------------------|-----------------|
| | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| \$ | 90,025 | \$ 90,025 | \$ - | \$ 1,907,362 | \$ 1,907,362 | \$ - |
| | 42,312 | 42,312 | - | 42,312 | 42,312 | - |
| | - | - | - | 3,493 | 3,493 | - |
| | 405 | 405 | - | 31,096 | 31,096 | - |
| | 2,450 | 2,450 | - | 2,737 | 2,737 | - |
| | <u>158,368</u> | <u>158,368</u> | <u>-</u> | <u>158,670</u> | <u>158,670</u> | <u>-</u> |
| | <u>293,560</u> | <u>293,560</u> | <u>-</u> | <u>2,145,669</u> | <u>2,145,669</u> | <u>-</u> |
| | | | | | | |
| | <u>316,043</u> | <u>312,071</u> | <u>3,972</u> | <u>2,171,819</u> | <u>2,164,180</u> | <u>7,639</u> |
| | <u>316,043</u> | <u>312,071</u> | <u>3,972</u> | <u>2,171,819</u> | <u>2,164,180</u> | <u>7,639</u> |
| | | | | | | |
| \$ | <u>(22,483)</u> | <u>(18,511)</u> | <u>\$ 3,972</u> | <u>\$ (26,150)</u> | <u>(18,511)</u> | <u>\$ 7,639</u> |
| | | | | | | |
| | <u>34,363</u> | | | | <u>34,363</u> | |
| | <u>34,363</u> | | | | <u>34,363</u> | |
| | | | | | | |
| | <u>15,852</u> | | | | <u>15,852</u> | |
| | | | | | | |
| | <u>62,420</u> | | | | <u>62,420</u> | |
| | <u>\$ 78,272</u> | | | | <u>\$ 78,272</u> | |



SPECIAL REVENUE FUNDS – CONSERVATION, ENVIRONMENT, AND RECREATION RELATED

MICHIGAN CONSERVATION AND RECREATION LEGACY FUND

This fund ("Legacy Fund") was created by Article 9, Section 40, of the State Constitution, an amendment approved by voters in November 2006. The purpose of the amendment was to constitutionally prevent the diversion of certain funds and revenues for purposes other than those for which they were created. Section 40 created the following accounts within the Legacy Fund: Forest Recreation, Game and Fish Protection, Off-Road Vehicle, Recreation Improvement, Snowmobile, State Park Improvement, and Waterways.

The implementing legislation related to this amendment, found in Sections 324.2002 – 324.2035 of the Michigan Compiled Laws, transferred a number of special revenue funds and certain restrictively financed activities within the General Fund to the Legacy Fund. The following special revenue funds were transferred into the fund: Game and Fish Protection Fund, Michigan State Waterways Fund, Marine Safety Fund, and State Park Improvement Fund. The restrictively financed activities transferred into the fund from the General Fund were related to various outdoor recreation activities including snowmobiles, off-road vehicles, recreation trails, and State forest recreation.

Financing consists primarily of hunting and fishing licenses; camping and park entrance fees; 2% of gasoline taxes dedicated for boating, snowmobiling, off-road vehicles and other trails; watercraft and snowmobile registration fees; and trail use permits. The fund also receives funding from the Michigan Game and Fish Protection Trust Fund. Expenditures are limited to those activities specified in Section 40 and include forest recreation activities, wildlife and fisheries programs, off-road vehicle and snowmobile trails and facilities, State parks and recreation areas, improvement of lake harbors and inland waterways, and water safety education programs.

MICHIGAN GAME AND FISH PROTECTION TRUST FUND

The former Game and Fish Protection Trust Fund was established in 1986 to restrict certain assets for the purpose of generating interest and earnings for transfer to the former Game and Fish Protection Fund (now accounted for within the Michigan Conservation and Recreation Legacy Fund). Article 9, Section 41, of the State Constitution, an amendment approved by voters in November 2006, further protected these assets by creating the Michigan Game and Fish Protection Trust Fund.

The fund operates under Sections 324.43702 – 324.43704 of the Michigan Compiled Laws. The Legislature may appropriate up to \$6 million annually for use by the Game and Fish Protection Account of the Michigan Conservation and Recreation Legacy Fund. Mineral royalties from lands acquired by the Game and Fish Protection Account; direct sale proceeds; and other revenues, which, by statute, are retained for permanent investment, provide additional investment funding.

MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND

The former Michigan Nongame Fish and Wildlife Fund was established in 1983 to finance research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this State. Article 9, Section 42, of the State Constitution, an amendment approved by voters in November 2006, further protected these assets by creating the Michigan Nongame Fish and Wildlife Trust Fund.

The fund operates under Sections 324.43902 – 324.43907 of the Michigan Compiled Laws. The fund may receive transfers from other funds, donations, investment income, and revenue from specialty license plate sales.

FOREST DEVELOPMENT FUND

This fund was established in 1993, along with the Michigan Forest Finance Authority, and operates under Michigan Compiled Laws Section 324.50507. The primary revenue source of the fund is timber revenue from State forest lands. Expenditures from the fund are for forest management activities and forest fire protection. The Authority is authorized to, but thus far has not, issued bonds.

BOTTLE DEPOSITS FUND

Michigan Compiled Laws (MCL) Section 445.573c created the Bottle Deposits Fund to provide for the disposition of unredeemed bottle deposits. The Department of Treasury and the Department of Environmental Quality (DEQ) jointly administer the fund. The law mandates that an annual distribution of the funds be made as follows: 25% returned to the dealers and 75% to fund several sub-funds.

The 75% distribution to DEQ is initially deposited into the Cleanup and Redevelopment Trust Sub-Fund (CRTF), and if not further distributed, remains there until the principal amount reaches \$200 million. Of funds received annually by the CRTF, 80% is allocated to the Cleanup and Redevelopment Sub-Fund (CRF) and 10% to the Community Pollution Prevention Sub-Fund.

MCL Section 324.20108 moved the former Environmental Response Fund (ERF) to a sub-fund of the CRF. The law mandates that proceeds of all cost recovery actions taken and settlements entered into pursuant to the ERF (excluding natural resource damages) by DEQ or the Attorney General, or both, shall be credited to the ERF.

Several DEQ sub-funds are administratively housed within the Bottle Deposits Fund, although they receive no bottle deposits revenue. Included is the State Sites Cleanup Sub-Fund, established in accordance with MCL Section 324.20108c to provide for response activities at facilities where the State is liable as an owner or operator. The following loan programs administered by DEQ are also included: the Brownfield Revolving Loan Fund created by MCL Section 324.19608a, the Revitalization Revolving Loan Fund created by MCL Section 324.20108a, and the Federal Brownfield Cleanup and Revolving Loan Fund.

Michigan

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED

SEPTEMBER 30, 2011

(In Thousands)

| | MICHIGAN CONSERVATION AND RECREATION LEGACY FUND | MICHIGAN GAME AND FISH PROTECTION TRUST FUND |
|--|--|--|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 96 | \$ - |
| Equity in common cash | 69,627 | 19,132 |
| Taxes, interest, and penalties receivable | 185 | - |
| Amounts due from federal agencies | 1,066 | - |
| Amounts due from local units | - | - |
| Inventories | 377 | - |
| Other current assets | 4,411 | 3,814 |
| Total Current Assets | <u>75,761</u> | <u>22,946</u> |
| Taxes, interest, and penalties receivable | 1 | - |
| Amounts due from local units | - | - |
| Investments | 1,481 | 173,556 |
| Other noncurrent assets | - | - |
| Total Assets | <u>\$ 77,243</u> | <u>\$ 196,502</u> |
| LIABILITIES AND FUND BALANCES | | |
| Current Liabilities: | | |
| Warrants outstanding | \$ 107 | \$ - |
| Accounts payable and other liabilities | 10,560 | 2,024 |
| Amounts due to other funds | 647 | - |
| Deferred revenue | 929 | - |
| Total Current Liabilities | <u>12,243</u> | <u>2,024</u> |
| Long-Term Liabilities: | | |
| Deferred revenue | 1 | - |
| Total Liabilities | <u>12,244</u> | <u>2,024</u> |
| Fund Balances: | | |
| Nonspendable | 1,729 | 178,823 |
| Restricted | <u>63,270</u> | <u>15,655</u> |
| Total Fund Balances | <u>64,999</u> | <u>194,478</u> |
| Total Liabilities and Fund Balances | <u>\$ 77,243</u> | <u>\$ 196,502</u> |

Michigan

| MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND | FOREST DEVELOPMENT FUND | BOTTLE DEPOSITS FUND | TOTALS |
|---|-------------------------------|----------------------------|-------------------|
| \$ - | \$ 92 | \$ - | \$ 188 |
| 486 | 11,367 | 65,620 | 166,232 |
| - | - | - | 185 |
| - | 84 | - | 1,150 |
| - | - | 1,074 | 1,074 |
| - | - | - | 377 |
| 64 | 83 | 364 | 8,735 |
| 550 | 11,626 | 67,058 | 177,941 |
| - | - | - | 1 |
| - | - | 15,346 | 15,346 |
| 6,364 | - | - | 181,400 |
| - | - | 1,198 | 1,198 |
| \$ 6,913 | \$ 11,626 | \$ 83,602 | \$ 375,885 |
| | | | |
| \$ - | \$ 11 | \$ 139 | \$ 257 |
| 41 | 2,306 | 587 | 15,519 |
| 2 | 173 | 87 | 909 |
| - | - | 144 | 1,073 |
| 43 | 2,491 | 957 | 17,758 |
| | | | |
| - | - | 1,198 | 1,198 |
| 43 | 2,491 | 2,155 | 18,956 |
| | | | |
| 6,000 | - | 2,294 | 188,846 |
| 870 | 9,135 | 79,153 | 168,084 |
| | | | |
| 6,870 | 9,135 | 81,447 | 356,929 |
| | | | |
| \$ 6,913 | \$ 11,626 | \$ 83,602 | \$ 375,885 |

Michigan

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

| | MICHIGAN CONSERVATION AND RECREATION LEGACY FUND | MICHIGAN GAME AND FISH PROTECTION TRUST FUND |
|---|--|--|
| REVENUES | | |
| Taxes | \$ 224 | \$ - |
| From federal agencies | 3,290 | - |
| From licenses and permits | 118,704 | - |
| Miscellaneous | 4,326 | 13,842 |
| Total Revenues | 126,544 | 13,842 |
| EXPENDITURES | | |
| Current: | | |
| General government | 1,419 | 3 |
| Conservation, environment, recreation, and agriculture | 145,315 | 64 |
| Capital outlay | 3,957 | - |
| Total Expenditures | 150,690 | 67 |
| Excess of Revenues over (under) Expenditures | (24,146) | 13,775 |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers from other funds | 32,227 | - |
| Transfers to other funds | (2,670) | (14,019) |
| Total Other Financing Sources (Uses) | 29,557 | (14,019) |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 5,411 | (244) |
| Fund Balances - Beginning of fiscal year - restated | 59,588 | 194,722 |
| Fund Balances - End of fiscal year | \$ 64,999 | \$ 194,478 |

Michigan

MICHIGAN
NONGAME

FISH AND
WILDLIFE

TRUST FUND

FOREST
DEVELOPMENT
FUND

BOTTLE
DEPOSITS
FUND

TOTALS

| \$ | - | \$ | - | \$ | 224 |
|------------|---------------|---------------|-----|----|----------------|
| - | - | - | 352 | | 3,642 |
| - | 2 | - | - | | 118,706 |
| 482 | 31,963 | 19,076 | | | 69,689 |
| 482 | 31,965 | 19,428 | | | 192,260 |

| | | | |
|-------------|---------------|---------------|----------------|
| - | - | - | 1,422 |
| 497 | 31,037 | 15,051 | 191,964 |
| - | 17 | - | 3,974 |
| 497 | 31,055 | 15,051 | 197,360 |
| (15) | 910 | 4,376 | (5,100) |

| | | | |
|------------|--------------|----------------|-----------------|
| - | - | - | 32,227 |
| (6) | (371) | (2,554) | (19,620) |
| (6) | (371) | (2,554) | 12,608 |

| | | | |
|-----------------|-----------------|------------------|-------------------|
| (21) | 539 | 1,823 | 7,508 |
| 6,891 | 8,596 | 79,625 | 349,422 |
| \$ 6,870 | \$ 9,135 | \$ 81,447 | \$ 356,929 |

Michigan

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - CONSERVATION, ENVIRONMENT, AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

| <u>Statutory/Budgetary Basis</u> | MICHIGAN CONSERVATION AND RECREATION LEGACY FUND | | | MICHIGAN NONGAME FISH AND WILDLIFE TRUST FUND | | |
|---|---|------------------|-----------------|--|-----------------|---------------|
| | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| REVENUES AND OTHER SOURCES | | | | | | |
| Taxes | \$ 224 | \$ 224 | \$ - | \$ - | \$ - | \$ - |
| From federal agencies | 3,290 | 3,290 | - | - | - | - |
| From licenses and permits | 118,704 | 118,704 | - | - | - | - |
| Miscellaneous | 4,326 | 4,326 | - | 482 | 482 | - |
| Transfers in | <u>32,227</u> | <u>32,227</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues and Other Sources | <u>158,771</u> | <u>158,771</u> | <u>-</u> | <u>482</u> | <u>482</u> | <u>-</u> |
| EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY | | | | | | |
| Natural Resources | 169,710 | 165,075 | 4,634 | 749 | 519 | 230 |
| Treasury | <u>1,929</u> | <u>1,419</u> | <u>510</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures, Transfers Out and Encumbrances | <u>171,638</u> | <u>166,494</u> | <u>5,144</u> | <u>749</u> | <u>519</u> | <u>230</u> |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | <u>\$ (12,867)</u> | <u>(7,723)</u> | <u>\$ 5,144</u> | <u>\$ (267)</u> | <u>(37)</u> | <u>\$ 230</u> |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | 13,134 | | | 16 | |
| Funds not annually budgeted | | <u>-</u> | | | <u>-</u> | |
| Net Reconciling Items | | <u>13,134</u> | | | <u>16</u> | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | <u>5,411</u> | | | <u>(21)</u> | |
| FUND BALANCES (GAAP BASIS) | | | | | | |
| Beginning balances - restated | | <u>59,588</u> | | | <u>6,891</u> | |
| Ending balances (GAAP Basis) | | <u>\$ 64,999</u> | | | <u>\$ 6,870</u> | |

Michigan

FUNDS NOT ANNUALLY BUDGETED

| FOREST DEVELOPMENT FUND | | | MICHIGAN GAME AND FISH PROTECTION TRUST FUND | | BOTTLE DEPOSITS FUND | | TOTALS | | |
|-------------------------|---------------|---------------|---|--------------|----------------------------|--------------------|-------------------|-----------------|--|
| BUDGET | ACTUAL | VARIANCE | ACTUAL | ACTUAL | ACTUAL | BUDGET | ACTUAL | VARIANCE | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 224 | \$ 224 | \$ - | |
| - | - | - | - | - | - | 3,290 | 3,290 | - | |
| 2 | 2 | - | - | - | - | 118,706 | 118,706 | - | |
| 31,963 | 31,963 | - | - | - | - | 36,771 | 36,771 | - | |
| - | - | - | - | - | - | 32,227 | 32,227 | - | |
| <u>31,965</u> | <u>31,965</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>191,218</u> | <u>191,218</u> | <u>-</u> | |
| | | | | | | | | | |
| 33,116 | 32,353 | 763 | - | - | - | 203,575 | 197,947 | 5,628 | |
| - | - | - | - | - | - | 1,929 | 1,419 | 510 | |
| <u>33,116</u> | <u>32,353</u> | <u>763</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>205,503</u> | <u>199,366</u> | <u>6,138</u> | |
| | | | | | | | | | |
| <u>\$ (1,151)</u> | <u>(388)</u> | <u>\$ 763</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>\$ (14,286)</u> | <u>(8,148)</u> | <u>\$ 6,138</u> | |
| | | | | | | | | | |
| 927 | - | - | - | - | - | 14,077 | 14,077 | - | |
| - | - | - | (244) | 1,823 | - | 1,579 | 1,579 | - | |
| 927 | - | - | (244) | 1,823 | - | 15,656 | 15,656 | - | |
| <u>539</u> | <u>-</u> | <u>-</u> | <u>(244)</u> | <u>1,823</u> | <u>-</u> | <u>7,508</u> | <u>7,508</u> | <u>-</u> | |
| | | | | | | | | | |
| 8,596 | - | - | 194,722 | - | 79,625 | - | 349,422 | - | |
| <u>\$ 9,135</u> | <u>-</u> | <u>-</u> | <u>\$ 194,478</u> | <u>-</u> | <u>\$ 81,447</u> | <u>-</u> | <u>\$ 356,929</u> | <u>-</u> | |



SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

Michigan Compiled Laws (MCL) Section 570.1201 created the Homeowner Construction Lien Recovery Fund to allow contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid, despite filing a residential lien. MCL 570.1201 was repealed effective August 23, 2010 and as of September 30, 2011, final disposition of the remaining fund balance had not occurred as a result of pending litigation.

MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND

Michigan Compiled Laws Section 421.10 created this fund to account for administrative costs of the Unemployment Insurance Agency, which is administered by the Department of Licensing and Regulatory Affairs. The fund derives most of its revenue from federal grants. It also receives transfers from the Michigan Employment Security Act Contingent Fund (reported as part of the Michigan Unemployment Compensation Funds, an enterprise fund). Expenditures for administration are subject to legislative appropriation.

Unemployment benefit payments to individuals are made directly from funds accumulated from employer premiums. These activities are reported in the Michigan Unemployment Compensation Funds.

SAFETY EDUCATION AND TRAINING FUND

Michigan Compiled Laws Section 408.1055 imposes an annual levy on each insurance carrier licensed to write workers' disability compensation business in the State and on each self-insured employer. The Safety Education and Training Fund was established to receive these assessments for support of the Department of Licensing and Regulatory Affairs' Consultation Education and Training Division.

SECOND INJURY FUND

Michigan Compiled Laws Section 418.501, created the Second Injury Fund to insure carriers and self-insured employers against certain workers' compensation losses. The administrator, appointed by the fund's Board of Trustees, supervises the fund. The fund's revenue consists of assessments, calculated under provisions of the act, which are assessed to insurance carriers and self-insured employers licensed or authorized in Michigan.

SELF-INSURERS' SECURITY FUND

Established by Michigan Compiled Laws Section 418.501, the Self-Insurers' Security Fund pays workers' compensation benefits to injured employees of insolvent, private self-insured employers. Revenues are generated through annual assessments of insurance carriers.

Funds held in trust per court orders to pay obligations due under the Michigan Workers' Disability Compensation Act are reported as liabilities of this fund.

SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND

Established by Michigan Compiled Laws Section 418.501, the Silicosis, Dust Disease, and Logging Industry Compensation Fund reimburses insurance carriers who pay benefits to employees injured from certain dust diseases, and employees who have sustained personal injury or death while being employed in the logging industry. Revenues are generated through annual assessments of insurance carriers.

STATE CONSTRUCTION CODE FUND

Michigan Compiled Laws Section 125.1522 created the State Construction Code Fund. Fees received for building permit applications and other funds collected under this legislation are appropriated by the Legislature for the operation of the Department of Licensing and Regulatory Affairs' Bureau of Construction Codes and related indirect overhead expenditures.

UTILITY CONSUMER REPRESENTATION FUND

Established by Michigan Compiled Laws Section 460.6m, the Utility Consumer Representation Fund provides funding, on behalf of residential gas, fuel, and electric customers, for energy cost recovery hearings before the Michigan Public Service Commission. Revenues are generated through annual assessments of regulated utility companies.

STATE CASINO GAMING FUND

Created by Michigan Compiled Laws Section (MCL) 432.212, this fund provides the licensing, regulation, and control of casino gaming activities in Michigan. The five-member gaming control board created under MCL 432.204 is vested with the authority for licensing, regulating, and controlling casino gaming operations.

Michigan

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED

SEPTEMBER 30, 2011

(In Thousands)

| | <u>HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND</u> | <u>MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND</u> | <u>SAFETY EDUCATION AND TRAINING FUND</u> | <u>SECOND INJURY FUND</u> |
|--|--|---|---|-----------------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - |
| Equity in common cash | 56 | - | 7,225 | 2,414 |
| Amounts due from other funds | - | 6,379 | - | 13,654 |
| Amounts due from federal agencies | - | 12,680 | - | - |
| Other current assets | - | - | 39 | 416 |
| Total Current Assets | <u>56</u> | <u>19,060</u> | <u>7,264</u> | <u>16,484</u> |
| Total Assets | <u>\$ 56</u> | <u>\$ 19,060</u> | <u>\$ 7,264</u> | <u>\$ 16,484</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | \$ - | \$ 11 | \$ 1 | \$ 522 |
| Accounts payable and other liabilities | - | 4,637 | 208 | 1,826 |
| Amounts due to other funds | - | 14,412 | 35 | 7 |
| Deferred revenue | - | - | - | 4,109 |
| Total Current Liabilities | <u>-</u> | <u>19,060</u> | <u>244</u> | <u>6,464</u> |
| Total Liabilities | <u>-</u> | <u>19,060</u> | <u>244</u> | <u>6,464</u> |
| Fund Balances: | | | | |
| Restricted | 56 | - | 7,020 | 10,020 |
| Committed | - | - | - | - |
| Total Fund Balances | <u>56</u> | <u>-</u> | <u>7,020</u> | <u>10,020</u> |
| Total Liabilities and Fund Balances | <u>\$ 56</u> | <u>\$ 19,060</u> | <u>\$ 7,264</u> | <u>\$ 16,484</u> |

Michigan

| SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND | | | | | | <u>STATE CONSTRUCTION CODE FUND</u> | <u>UTILITY CONSUMER REPRESENTATION FUND</u> | <u>STATE CASINO GAMING FUND</u> | <u>TOTALS</u> |
|--|-----------------|-----------------|-----------------|-------------|--------------|---|---|-------------------------------------|------------------|
| \$ - | \$ 23,073 | \$ 2,274 | \$ 3,645 | \$ - | \$ 3,224 | \$ - | \$ 10,164 | \$ 1 | \$ 52,076 |
| - | - | - | - | - | - | - | - | - | 20,034 |
| - | - | - | - | - | - | - | - | - | 12,680 |
| 1,702 | 67 | 99 | - | - | - | - | 171 | - | 2,494 |
| <u>24,775</u> | <u>2,340</u> | <u>3,745</u> | <u>3,224</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,335</u> | <u>-</u> | <u>87,285</u> |
| <u>\$ 24,775</u> | <u>\$ 2,340</u> | <u>\$ 3,745</u> | <u>\$ 3,224</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,335</u> | <u>\$ 1</u> | <u>\$ 87,285</u> |
| | | | | | | | | | |
| \$ 120 | \$ 10,928 | \$ 504 | \$ 2 | \$ 188 | \$ 67 | \$ 6 | \$ 431 | \$ 714 | \$ 18,790 |
| 4 | 4 | 5 | - | 46 | 3 | - | 62 | - | 14,573 |
| 1,652 | 1,652 | 320 | - | - | - | - | 60 | - | 6,141 |
| <u>12,704</u> | <u>12,704</u> | <u>880</u> | <u>235</u> | <u>235</u> | <u>70</u> | <u>70</u> | <u>560</u> | <u>560</u> | <u>40,218</u> |
| <u>12,704</u> | <u>12,704</u> | <u>880</u> | <u>235</u> | <u>235</u> | <u>70</u> | <u>70</u> | <u>560</u> | <u>560</u> | <u>40,218</u> |
| | | | | | | | | | |
| 12,071 | 12,071 | 1,460 | 3,510 | - | 3,154 | 7,732 | 2,043 | 45,023 | 2,043 |
| <u>12,071</u> | <u>12,071</u> | <u>1,460</u> | <u>3,510</u> | <u>-</u> | <u>3,154</u> | <u>7,732</u> | <u>2,043</u> | <u>45,023</u> | <u>2,043</u> |
| | | | | | | | | | |
| <u>\$ 24,775</u> | <u>\$ 2,340</u> | <u>\$ 3,745</u> | <u>\$ 3,224</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,335</u> | <u>\$ 1</u> | <u>\$ 87,285</u> |

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND | MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND | SAFETY EDUCATION AND TRAINING FUND | SECOND INJURY FUND |
|---|---|--|---|--------------------------|
| REVENUES | | | | |
| From federal agencies | \$ - | \$ 174,136 | \$ - | \$ - |
| From services | - - | - - | - - | - - |
| From licenses and permits | - - | - - | - - | - - |
| Miscellaneous | 91 | 19 | 9,554 | 15,021 |
| Total Revenues | 91 | 174,155 | 9,554 | 15,021 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - - | - - | - - | - - |
| Labor, commerce, and regulatory | 48 | 179,589 | 8,268 | 13,522 |
| Debt Service: | | | | |
| Capital lease payments | - - | 576 | - - | - - |
| Total Expenditures | 48 | 180,164 | 8,268 | 13,522 |
| Excess of Revenues over (under) Expenditures | 43 | (6,009) | 1,286 | 1,500 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | - - | 7,744 | - - | - - |
| Transfers to other funds | - - | (1,735) | (87) | (24) |
| Total Other Financing Sources (Uses) | - - | 6,009 | (87) | (24) |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 43 | - - | 1,199 | 1,476 |
| Fund Balances - Beginning of fiscal year | 13 | - - | 5,822 | 8,544 |
| Fund Balances - End of fiscal year | \$ 56 | \$ - - | \$ 7,020 | \$ 10,020 |

Michigan

| SELF-INSURERS' SECURITY FUND | SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND | | | | STATE CONSTRUCTION CODE FUND | UTILITY CONSUMER REPRESENTATION FUND | STATE CASINO GAMING FUND | TOTALS |
|------------------------------------|--|----------|----------|----------|------------------------------------|--|-----------------------------|---------------|
| | | | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 174,136 | |
| - | - | - | - | - | 1 | 1 | | |
| - | - | 7,501 | - | - | 1,063 | 1,063 | 8,564 | |
| 8,639 | 1,601 | 9 | 1,132 | 33,250 | 33,250 | | 69,316 | |
| 8,639 | 1,601 | 7,510 | 1,132 | 34,315 | 34,315 | | 252,017 | |
| | | | | | | | | |
| | | | | | | | | |
| 8,778 | 1,617 | 9,179 | 576 | 20,041 | 576 | 20,618 | | |
| - | - | - | 836 | - | - | 221,836 | | |
| - | - | - | - | - | - | 576 | | |
| 8,778 | 1,617 | 9,179 | 1,412 | 20,041 | 20,041 | 243,029 | | |
| (139) | (16) | (1,669) | (280) | 14,274 | 14,274 | 8,988 | | |
| | | | | | | | | |
| | | | | | | | | |
| (13) | (8) | (120) | (3) | 1,283 | 1,283 | 9,027 | | |
| (13) | (8) | (120) | (3) | (12,997) | (12,997) | (14,986) | | |
| | | | | | | | | |
| | | | | | | | | |
| (152) | (24) | (1,789) | (283) | 2,560 | 2,560 | 3,029 | | |
| | | | | | | | | |
| 12,223 | 1,483 | 5,299 | 3,437 | 7,216 | 7,216 | 44,038 | | |
| \$ 12,071 | \$ 1,460 | \$ 3,510 | \$ 3,154 | \$ 9,775 | \$ 9,775 | \$ 47,066 | | |

Michigan

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

| <u>Statutory/Budgetary Basis</u> | HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND | | | MICHIGAN EMPLOYMENT SECURITY ACT - ADMINISTRATION FUND | | |
|--|--|---------------|-----------------|---|----------------|-----------------|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE</u> | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE</u> |
| REVENUES AND OTHER SOURCES | | | | | | |
| From federal agencies | \$ - | \$ - | \$ - | \$ 174,136 | \$ 174,136 | \$ - |
| From services | - | - | - | - | - | - |
| From licenses and permits | - | - | - | - | - | - |
| Miscellaneous | 91 | 91 | - | 19 | 19 | - |
| Transfers in | - | - | - | 7,744 | 7,744 | - |
| Total Revenues and Other Sources | <u>91</u> | <u>91</u> | <u>-</u> | <u>181,899</u> | <u>181,899</u> | <u>-</u> |
| EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY | | | | | | |
| Licensing and Regulatory Affairs | 78 | 48 | 30 | 181,899 | 181,899 | - |
| Treasury | - | - | - | - | - | - |
| Total Expenditures, Transfers Out, and Encumbrances | <u>78</u> | <u>48</u> | <u>30</u> | <u>181,899</u> | <u>181,899</u> | <u>-</u> |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | <u>\$ 13</u> | <u>43</u> | <u>\$ 30</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | | | | | |
| Funds not annually budgeted | | | | | | |
| Net Reconciling Items | | | | | | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | <u>43</u> | | | | |
| FUND BALANCES (GAAP BASIS) | | | | | | |
| Beginning balances | | <u>13</u> | | | | |
| Ending balances (GAAP Basis) | | <u>\$ 56</u> | | | | |

Michigan

| SAFETY EDUCATION AND TRAINING FUND | | | STATE CONSTRUCTION CODE FUND | | |
|------------------------------------|--------------|-----------------|------------------------------|-----------------|-----------------|
| BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | 7,501 | 7,501 | - |
| 9,554 | 9,554 | - | 9 | 9 | - |
| - | - | - | - | - | - |
| <u>9,554</u> | <u>9,554</u> | <u>-</u> | <u>7,510</u> | <u>7,510</u> | <u>-</u> |
| | | | | | |
| 9,648 | 8,573 | 1,076 | 15,147 | 9,305 | 5,842 |
| - | - | - | - | - | - |
| <u>9,648</u> | <u>8,573</u> | <u>1,076</u> | <u>15,147</u> | <u>9,305</u> | <u>5,842</u> |
| | | | | | |
| \$ <u>(95)</u> | <u>981</u> | <u>\$ 1,076</u> | <u>\$ (7,637)</u> | <u>(1,795)</u> | <u>\$ 5,842</u> |
| | | | | | |
| 217 | - | - | - | 6 | - |
| - | - | - | - | - | - |
| <u>217</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6</u> | <u>-</u> |
| | | | | | |
| <u>1,199</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,789)</u> | <u>-</u> |
| | | | | | |
| <u>5,822</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,299</u> | <u>-</u> |
| | | | | | |
| <u>\$ 7,020</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>\$ 3,510</u> | <u>-</u> |

This schedule continued on next page.

Michigan

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)

| | STATE CASINO GAMING FUND | | |
|--|--------------------------|---------------|-----------------|
| <u>Statutory/Budgetary Basis</u> | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE</u> |
| REVENUES AND OTHER SOURCES | | | |
| From federal agencies | \$ - | \$ - | \$ - |
| From services | 1 | 1 | - |
| From licenses and permits | 1,063 | 1,063 | - |
| Miscellaneous | 33,250 | 33,250 | - |
| Transfers in | 1,283 | 1,283 | - |
| Total Revenues and Other Sources | <u>35,598</u> | <u>35,598</u> | - |
| EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY | | | |
| Licensing and Regulatory Affairs | - | - | - |
| Treasury | <u>33,038</u> | <u>33,038</u> | - |
| Total Expenditures, Transfers Out, and Encumbrances | <u>33,038</u> | <u>33,038</u> | - |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | <u>\$ 2,560</u> | <u>2,560</u> | <u>\$ -</u> |
| Reconciling Items: | | | |
| Encumbrances at September 30 | | - | - |
| Funds not annually budgeted | | - | - |
| Net Reconciling Items | | - | - |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | <u>2,560</u> | |
| FUND BALANCES (GAAP BASIS) | | | |
| Beginning balances | | <u>7,216</u> | |
| Ending balances (GAAP Basis) | <u>\$ 9,775</u> | | |

Michigan

FUNDS NOT ANNUALLY BUDGETED

| SECOND INJURY FUND | SELF-INSURERS' SECURITY FUND | SILICOSIS, DUST DISEASE, AND LOGGING INDUSTRY COMPENSATION FUND | UTILITY CONSUMER REPRESENTATION FUND | TOTALS | | |
|--------------------------|------------------------------------|--|--|------------|-------------------------|----------|
| | | | | ACTUAL | BUDGET | ACTUAL |
| | | | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ 174,136 | \$ 174,136 | \$ - |
| - | - | - | - | - 1 | - 1 | - |
| - | - | - | - | - 8,564 | - 8,564 | - |
| - | - | - | - | - 42,924 | - 42,924 | - |
| - | - | - | - | - 9,027 | - 9,027 | - |
| - | - | - | - | - 234,651 | - 234,651 | - |
| | | | | | | |
| - | - | - | - | 206,772 | 199,825 | 6,948 |
| - | - | - | - | 33,038 | 33,038 | - |
| - | - | - | - | 239,810 | 232,863 | 6,948 |
| - | - | - | - | \$ (5,159) | 1,789 | \$ 6,948 |
| 1,476 | (152) | (24) | (283) | | 223 | |
| 1,476 | (152) | (24) | (283) | | 1,017 | |
| 1,476 | (152) | (24) | (283) | | 1,240 | |
| | | | | | | |
| 8,544 | 12,223 | 1,483 | 3,437 | | 44,038 | |
| \$ 10,020 | \$ 12,071 | \$ 1,460 | \$ 3,154 | | \$ 47,066 | |
| <u>\$ 10,020</u> | <u>\$ 12,071</u> | <u>\$ 1,460</u> | <u>\$ 3,154</u> | | <u>\$ 47,066</u> | |



SPECIAL REVENUE FUNDS – OTHER STATE FUNDS

21st CENTURY JOBS TRUST FUND

Michigan Compiled Laws Section 12.257 created the 21st Century Jobs Trust Fund to account for the transfer of the net bond proceeds issued by the Michigan Tobacco Settlement Finance Authority. Executive Order 2010-2 moved the Authority to the newly created Michigan Finance Authority. The bonds are issued to provide sufficient funds to purchase all or a portion of the State's receipts from the master settlement agreement between tobacco manufacturers and the State. Fund expenditures are used to reimburse the Michigan Strategic Fund for expenses related to revitalizing Michigan's economy and for other programs as determined by the Legislature. The fund may accept donations of money from any source; all interest earned is deposited into the State's General Fund. Beginning in fiscal year 2008 through 2016, the fund will also receive a portion of the tobacco settlement revenue received by the State.

MICHIGAN MERIT AWARD TRUST FUND

This fund was created by Michigan Compiled Laws (MCL) Section 12.259 to account for a portion of the revenue from the master settlement agreement between tobacco manufacturers and the State. The settlement reimburses the State for health care costs, which result from the use of tobacco products. The fund also consists of interest and earnings from trust fund investments and donations. Fund expenditures are used for the Michigan Merit Award Scholarship, Michigan Promise Scholarship, and other programs as determined by the Legislature.

All assets and liabilities of the Tobacco Settlement Trust Fund, established by MCL Section 12.253 and repealed as part of tobacco securitization legislation passed in November 2005, were transferred to the Michigan Merit Award Trust Fund in fiscal year 2006.

CHILDREN'S TRUST FUND

Michigan Compiled Laws (MCL) Section 21.171 established the Children's Trust Fund to support the State Child Abuse and Neglect Prevention Board. The Board was established under MCL Section 722.603 to coordinate and fund activities for the prevention of child abuse and neglect in the State. Not more than one-half the money contributed to the trust fund each year, plus the interest and earnings, excluding unrealized gains and losses, credited to the trust fund during the previous fiscal year are available for disbursement. Money received as gifts or donations to the trust fund shall be available for disbursement upon appropriation. Funds that are not available for disbursement are reported as nonspendable fund balance.

This fund is also used to account for the Foster Care Trust Fund that was established under MCL Section 722.1023 and transferred to the State Child Abuse and Neglect Prevention Board with Executive Order 2010-17. Funds in the Foster Care Trust Fund are not expendable until the balance reaches \$800 thousand.

ASSIGNED CLAIMS FACILITY AND PLAN FUND

Michigan Compiled Laws Section 500.3171 requires the Secretary of State to organize and maintain the Assigned Claims Facility and Plan Fund to provide personal protection insurance benefits to persons injured by uninsured motorists, when coverage is not available from other sources. The facility administers the plan through servicing insurers. Assessments to self-insurers and no-fault insurers cover the costs incurred in the operation of the facility and the plan.

MILITARY FAMILY RELIEF FUND

Michigan Compiled Laws Section 35.1213 created this fund to provide assistance to families of certain members of the reserve components of the United States armed forces on active duty. A qualified individual or the individual's family shall apply to the Department of Military and Veterans Affairs for a grant from the fund. Funds are received primarily from taxpayer contributions on his or her annual State tax return designating \$1 or more of his or her refund to be credited to this fund.

MISCELLANEOUS SPECIAL REVENUE FUNDS

The miscellaneous special revenue funds column reflects the activities of the following funds: Children's Institute Trust, Special Assessment Deferment, and Intrastate Switched Toll Restructuring.

Michigan

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
 SEPTEMBER 30, 2011
 (In Thousands)

| | <u>21ST CENTURY JOBS TRUST FUND</u> | <u>MICHIGAN MERIT AWARD TRUST FUND</u> | <u>CHILDREN'S TRUST FUND</u> |
|--|---|--|----------------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$ - | \$ - | \$ - |
| Equity in common cash | 135,811 | 339 | 1,697 |
| Other current assets | 56,250 | 101,264 | 181 |
| Total Current Assets | <u>192,061</u> | <u>101,603</u> | <u>1,878</u> |
| Investments | - | - | 21,526 |
| Other noncurrent assets | - | 3,575 | - |
| Total Assets | <u>\$ 192,061</u> | <u>\$ 105,178</u> | <u>\$ 23,404</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Current Liabilities: | | | |
| Warrants outstanding | \$ - | \$ - | \$ 12 |
| Accounts payable and other liabilities | - | 767 | 367 |
| Amounts due to other funds | - | 14 | 3 |
| Deferred revenue | 56,250 | 100,767 | - |
| Total Current Liabilities | <u>56,250</u> | <u>101,547</u> | <u>382</u> |
| Deferred revenue | - | 3,575 | - |
| Total Liabilities | <u>56,250</u> | <u>105,122</u> | <u>382</u> |
| Fund Balances: | | | |
| Nonspendable | - | - | 21,841 |
| Restricted | - | - | 1,181 |
| Committed | 135,811 | 56 | - |
| Total Fund Balances | <u>135,811</u> | <u>56</u> | <u>23,023</u> |
| Total Liabilities and Fund Balances | <u>\$ 192,061</u> | <u>\$ 105,178</u> | <u>\$ 23,404</u> |

Michigan

| <u>ASSIGNED CLAIMS FACILITY AND PLAN FUND</u> | <u>MILITARY FAMILY RELIEF FUND</u> | <u>MISCELLANEOUS SPECIAL REVENUE FUNDS</u> | <u>TOTALS</u> |
|---|--|--|-------------------|
| \$ 1 | \$ - | \$ - | \$ 1 |
| 590 | 2,334 | 5,381 | 146,152 |
| 658 | - | 56 | 158,410 |
| <u>1,249</u> | <u>2,334</u> | <u>5,437</u> | <u>304,563</u> |
| - | - | - | 21,526 |
| - | - | 1,068 | 4,643 |
| <u>\$ 1,249</u> | <u>\$ 2,334</u> | <u>\$ 6,505</u> | <u>\$ 330,731</u> |
| | | | |
| \$ - | \$ 3 | \$ 83 | \$ 98 |
| 17 | 1 | 10 | 1,162 |
| 4 | - | 1 | 22 |
| <u>1,228</u> | <u>-</u> | <u>-</u> | <u>158,245</u> |
| <u>1,249</u> | <u>4</u> | <u>94</u> | <u>159,526</u> |
| - | - | 387 | 3,962 |
| <u>1,249</u> | <u>4</u> | <u>481</u> | <u>163,488</u> |
| - | - | - | 21,841 |
| - | 2,330 | 6,023 | 9,535 |
| - | - | - | 135,867 |
| - | 2,330 | 6,023 | 167,243 |
| <u>\$ 1,249</u> | <u>\$ 2,334</u> | <u>\$ 6,505</u> | <u>\$ 330,731</u> |

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

SPECIAL REVENUE FUNDS - OTHER STATE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | <u>21ST CENTURY JOBS TRUST FUND</u> | <u>MICHIGAN MERIT AWARD TRUST FUND</u> | <u>CHILDREN'S TRUST FUND</u> |
|---|---|--|----------------------------------|
| REVENUES | | | |
| From federal agencies | \$ - | \$ - | \$ 967 |
| Miscellaneous | <u>75,000</u> | <u>116,101</u> | <u>1,298</u> |
| Total Revenues | <u>75,000</u> | <u>116,101</u> | <u>2,265</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 89,943 | 847 | - |
| Human services | - | 30,100 | 2,576 |
| Public safety and corrections | - | 599 | - |
| Labor, commerce, and regulatory | - | - | - |
| Health services | - | 84,470 | - |
| Total Expenditures | <u>89,943</u> | <u>116,016</u> | <u>2,576</u> |
| Excess of Revenues over (under) Expenditures | <u>(14,943)</u> | <u>85</u> | <u>(311)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers to other funds | - | (29) | (7) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(29)</u> | <u>(7)</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | <u>(14,943)</u> | <u>56</u> | <u>(319)</u> |
| Fund Balances - Beginning of fiscal year - restated | <u>150,754</u> | <u>-</u> | <u>23,341</u> |
| Fund Balances - End of fiscal year | <u>\$ 135,811</u> | <u>\$ 56</u> | <u>\$ 23,023</u> |

Michigan

| <u>ASSIGNED CLAIMS FACILITY AND PLAN FUND</u> | <u>MILITARY FAMILY RELIEF FUND</u> | <u>MISCELLANEOUS SPECIAL REVENUE FUNDS</u> | <u>TOTALS</u> |
|---|--|--|-------------------------|
| \$ - 183,419 | \$ - 132 | \$ - 18,013 | \$ 967 393,963 |
| <hr/> <u>183,419</u> | <hr/> <u>132</u> | <hr/> <u>18,013</u> | <hr/> <u>394,930</u> |
| 183,300 | - | 91 | 274,181 |
| - | - | 1 | 32,678 |
| - | 331 | - | 930 |
| - | - | 15,979 | 15,979 |
| - | - | - | 84,470 |
| <hr/> <u>183,300</u> | <hr/> <u>331</u> | <hr/> <u>16,072</u> | <hr/> <u>408,239</u> |
| 118 | (199) | 1,941 | (13,308) |
| <hr/> <u>(118)</u> | <hr/> <u>-</u> | <hr/> <u>-</u> | <hr/> <u>(155)</u> |
| <hr/> <u>(118)</u> | <hr/> <u>-</u> | <hr/> <u>-</u> | <hr/> <u>(155)</u> |
| - | (199) | 1,941 | (13,463) |
| <hr/> <u>-</u> | <hr/> <u>2,530</u> | <hr/> <u>4,082</u> | <hr/> <u>180,707</u> |
| <hr/> <u>\$ -</u> | <hr/> <u>\$ 2,330</u> | <hr/> <u>\$ 6,023</u> | <hr/> <u>\$ 167,243</u> |

Michigan

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)**

| | 21ST CENTURY JOBS TRUST FUND | | |
|--|------------------------------|-----------------|-------------------|
| <u>Statutory/Budgetary Basis</u> | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE</u> |
| REVENUES AND OTHER SOURCES | | | |
| From federal agencies | \$ - | \$ - | \$ - |
| Miscellaneous | <u>75,000</u> | <u>75,000</u> | <u>-</u> |
| Total Revenues and Other Sources | <u>75,000</u> | <u>75,000</u> | <u>-</u> |
| EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY | | | |
| Attorney General | - - | - - | - - |
| Community Health | - - | - - | - - |
| Human Services | - - | - - | - - |
| Military and Veterans Affairs | - - | - - | - - |
| State Police | - - | - - | - - |
| Treasury | <u>225,754</u> | <u>89,943</u> | <u>135,811</u> |
| Total Expenditures, Transfers Out, and Encumbrances | <u>225,754</u> | <u>89,943</u> | <u>135,811</u> |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | <u>\$ (150,754)</u> | <u>(14,943)</u> | <u>\$ 135,811</u> |
| Reconciling Items: | | | |
| Encumbrances at September 30 | - - | - - | - - |
| Funds not annually budgeted | - - | - - | - - |
| Net Reconciling Items | - - | - - | - - |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | <u>(14,943)</u> | | |
| FUND BALANCES (GAAP BASIS) | | | |
| Beginning balances - restated | <u>150,754</u> | | |
| Ending balances (GAAP Basis) | <u>\$ 135,811</u> | | |

Michigan

| MICHIGAN MERIT AWARD TRUST FUND | | | CHILDREN'S TRUST FUND | | | MILITARY FAMILY RELIEF FUND | | |
|---------------------------------|----------------|------------|-----------------------|--------------|--------------|-----------------------------|------------|------------|
| BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| \$ - | \$ - | \$ - | \$ 967 | \$ 967 | \$ - | \$ - | \$ - | \$ - |
| 116,101 | 116,101 | - | 1,298 | 1,298 | - | 132 | 132 | - |
| <u>116,101</u> | <u>116,101</u> | <u>-</u> | <u>2,265</u> | <u>2,265</u> | <u>-</u> | <u>132</u> | <u>132</u> | <u>-</u> |
| 409 | 304 | 105 | - | - | - | - | - | - |
| 84,470 | 84,470 | - | - | - | - | - | - | - |
| 30,100 | 30,100 | - | 4,790 | 2,604 | 2,186 | - | - | - |
| - | - | - | - | - | - | 1,001 | 333 | 668 |
| 631 | 607 | 24 | - | - | - | - | - | - |
| 960 | 564 | 396 | - | - | - | - | - | - |
| <u>116,569</u> | <u>116,045</u> | <u>524</u> | <u>4,790</u> | <u>2,604</u> | <u>2,186</u> | <u>1,001</u> | <u>333</u> | <u>668</u> |
| \$ (468) | 56 | \$ 524 | \$ (2,525) | (339) | \$ 2,186 | \$ (869) | (201) | \$ 668 |
| - | - | - | 20 | - | - | 1 | - | - |
| - | - | - | 20 | - | - | 1 | - | - |
| <u>56</u> | | | <u>(319)</u> | | | <u>(199)</u> | | |
| - | | | 23,341 | | | 2,530 | | |
| <u>\$ 56</u> | | | <u>\$ 23,023</u> | | | <u>\$ 2,330</u> | | |

This schedule continued on next page.

Michigan

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUNDS - OTHER STATE FUNDS (Continued)**

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | FUNDS NOT ANNUALLY BUDGETED | | | | |
|--|---|--|--------------|------------|------------|
| | ASSIGNED CLAIMS FACILITY AND PLAN FUND | MISCELLANEOUS SPECIAL REVENUE FUNDS | TOTALS | | |
| | | ACTUAL | ACTUAL | BUDGET | ACTUAL |
| Statutory/Budgetary Basis | | | | | |
| REVENUES AND OTHER SOURCES | | | | | |
| From federal agencies | \$ - | \$ - | \$ 967 | \$ 967 | \$ - |
| Miscellaneous | - | - | 192,532 | 192,532 | - |
| Total Revenues and Other Sources | - | - | 193,498 | 193,498 | - |
| EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY | | | | | |
| Attorney General | - | - | 409 | 304 | 105 |
| Community Health | - | - | 84,470 | 84,470 | - |
| Human Services | - | - | 34,890 | 32,704 | 2,186 |
| Military and Veterans Affairs | - | - | 1,001 | 333 | 668 |
| State Police | - | - | 631 | 607 | 24 |
| Treasury | - | - | 226,714 | 90,507 | 136,207 |
| Total Expenditures, Transfers Out, and Encumbrances | - | - | 348,114 | 208,925 | 139,190 |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | - | - | \$ (154,616) | (15,426) | \$ 139,190 |
| Reconciling Items: | | | | | |
| Encumbrances at September 30 | - | - | | 22 | |
| Funds not annually budgeted | - | 1,941 | | 1,941 | |
| Net Reconciling Items | - | 1,941 | | 1,963 | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | - | 1,941 | | (13,463) | |
| FUND BALANCES (GAAP BASIS) | | | | | |
| Beginning balances - restated | - | 4,082 | | 180,707 | |
| Ending balances (GAAP Basis) | \$ - | \$ 6,023 | | \$ 167,243 | |

DEBT SERVICE FUNDS

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all State Trunkline Fund (STF) related bond issues allowed for under Michigan Compiled Laws Section 247.661. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for transportation purposes by Article 9, Section 9, of the State Constitution and irrevocably pledged by law for deposit in STF. Debt service requirements are funded by annual appropriations in STF.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was administratively established to account for the debt service on all Comprehensive Transportation Fund (CTF) related bond issues allowed for under Michigan Compiled Laws Section 247.660b. The bonds are not general obligations of the State. The bonds are payable solely out of funds restricted for comprehensive transportation purposes by Article 9, Section 9, of the State Constitution and irrevocably pledged by law for deposit in CTF. Debt service requirements are funded by annual appropriations in CTF.

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

This fund was established pursuant to Michigan Compiled Laws (MCL) Sections 324.19506, 324.71506, and 324.95102 to service recreation and environmental protection bond issues. This fund also reflects debt service transactions related to State Park Improvement Fund (SPIF) revenue bonds, issued pursuant to MCL Section 324.74106.

Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund, transfers from SPIF representing state park revenues pledged for the payment of State Park Gross Revenue Bonds, and transfers from other funds as required by legislative appropriation or executive order.

Included in the restricted fund balance on the balance sheet is a \$300 thousand reserve account required by the State Park Gross Revenue Bonds document for additional security to pay bond principal and interest.

SCHOOL LOAN BOND REDEMPTION FUND

Michigan Compiled Laws Section 388.922 created this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund or School Aid Fund.

STATE BUILDING AUTHORITY

The State Building Authority (SBA) was created pursuant to Michigan Compiled Laws Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment.

SBA projects are financed by revenue bonds, the proceeds of which can only be used for construction and debt service on projects related to particular bond issues. During construction, debt service requirements are financed by a portion of the bond proceeds that are dedicated for that purpose. For completed projects, the resources to finance bond interest and redemption are provided by transfers from the General Fund and from investment earnings of this fund. When a project is completed, the remaining net assets are transferred to this fund where they are invested and used for debt service. Excess balances related to a particular bond series remaining in the fund after the final payment on the bond series are transferred to the General Fund.

Michigan

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS

SEPTEMBER 30, 2011

(In Thousands)

| | COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND | RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND |
|--|--|---|--|
| ASSETS | | | |
| Current Assets: | | | |
| Equity in common cash | \$ - | \$ - | \$ 1,368 |
| Investments | - | - | - |
| Other current assets | - | - | - |
| Total Current Assets | <u>-</u> | <u>-</u> | <u>1,368</u> |
| Total Assets | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,368</u></u> |
| LIABILITIES AND FUND BALANCES | | | |
| Current Liabilities: | | | |
| Accounts payable and other liabilities | \$ - | \$ - | \$ 1 |
| Total Current Liabilities | <u>-</u> | <u>-</u> | <u>1</u> |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>1</u> |
| Fund Balances: | | | |
| Restricted | <u>-</u> | <u>-</u> | <u>1,367</u> |
| Total Fund Balances | <u>-</u> | <u>-</u> | <u>1,367</u> |
| Total Liabilities and Fund Balances | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,368</u></u> |

Michigan

| SCHOOL LOAN BOND REDEMPTION FUND | STATE BUILDING AUTHORITY | TOTALS |
|---|--------------------------------|-------------------|
| \$ - | \$ - | \$ 1,368 |
| - | 209,371 | 209,371 |
| - | - | - |
| <u>-</u> | <u>209,371</u> | <u>210,739</u> |
| <u>\$ -</u> | <u>\$ 209,371</u> | <u>\$ 210,739</u> |
| | | |
| \$ - | \$ 170 | \$ 171 |
| - | 170 | 171 |
| - | - | - |
| <u>-</u> | <u>170</u> | <u>171</u> |
| | | |
| <u>-</u> | <u>209,200</u> | <u>210,568</u> |
| <u>-</u> | <u>209,200</u> | <u>210,568</u> |
| | | |
| <u>\$ -</u> | <u>\$ 209,371</u> | <u>\$ 210,739</u> |

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

DEBT SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND | RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND |
|---|--|---|--|
| REVENUES | | | |
| Miscellaneous | \$ - | \$ - | \$ 1 |
| Total Revenues | <u>-</u> | <u>-</u> | <u>1</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | - | - | 567 |
| Education | - | - | - |
| Debt Service: | | | |
| Bond principal retirement | 89,953 | 10,160 | 2,545 |
| Bond interest and fiscal charges | <u>123,551</u> | <u>9,981</u> | <u>52,997</u> |
| Total Expenditures | <u>213,504</u> | <u>20,141</u> | <u>56,109</u> |
| Excess of Revenues over (under) Expenditures | <u>(213,504)</u> | <u>(20,141)</u> | <u>(56,107)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Refunding bonds issued | - | - | 115,276 |
| Premium on bond issuance | - | - | 6,308 |
| Discount on bond issuance | - | - | - |
| Payment to refunded bond escrow agent | - | - | (121,018) |
| Transfers from other funds | 213,504 | 20,141 | 55,561 |
| Total Other Financing Sources (Uses) | <u>213,504</u> | <u>20,141</u> | <u>56,127</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | - | - | 20 |
| Fund Balances - Beginning of fiscal year | <u>-</u> | <u>-</u> | <u>1,348</u> |
| Fund Balances - End of fiscal year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,367</u> |

Michigan

| SCHOOL LOAN BOND REDEMPTION FUND | STATE BUILDING AUTHORITY | TOTALS |
|---|--------------------------------|-------------------|
| \$ - | \$ 4 | \$ 6 |
| - | 4 | 6 |
| | | |
| - | - | 567 |
| - | 1,907 | 1,907 |
| | | |
| - | 128,919 | 231,577 |
| 2,837 | 122,588 | 311,955 |
| | | |
| 2,837 | 253,414 | 546,006 |
| | | |
| (2,837) | (253,410) | (546,000) |
| | | |
| 43,133 | 384,696 | 543,105 |
| - | - | 6,308 |
| - | (55) | (55) |
| (43,133) | (385,145) | (549,296) |
| 2,837 | 241,841 | 533,883 |
| | | |
| 2,837 | 241,336 | 533,945 |
| | | |
| - | (12,074) | (12,055) |
| | | |
| - | 221,275 | 222,622 |
| | | |
| \$ - | \$ 209,200 | \$ 210,568 |

CAPITAL PROJECTS FUNDS

STATE TRUNKLINE FUND

Established pursuant to Michigan Compiled Laws Section 247.661, this fund accounts for highway construction and maintenance. Its annual budget is subject to legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Financing consists primarily of federal aid, local participation, and transfers from the Michigan Transportation Fund. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations.

This fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Activities of the Blue Water Bridge program, segregated as a separate fund within the accounting system, are also reported within the State Trunkline Fund.

STATE AERONAUTICS FUND

Established pursuant to Michigan Compiled Laws Section 259.34, this fund accounts for airport improvement projects. Financing consists primarily of aviation fuel taxes and federal contributions.

COMBINED STATE TRUNKLINE BOND PROCEEDS FUND

Established pursuant to Michigan Compiled Laws Section 247.668b, this fund accounts for the proceeds of State trunkline revenue dedicated bonds. These bonds are used in part to finance the costs of road and bridge construction.

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

Established pursuant to Michigan Compiled Laws Section 247.668b, this fund accounts for the proceeds of comprehensive transportation revenue dedicated bonds. These bonds are used in part to finance the costs of comprehensive transportation projects.

TRANSPORTATION RELATED TRUST FUNDS

The transportation related trust funds reflects the activities of five sub-funds: the Special Federal Bridge Replacement Fund, the Federal County Road Fund, the Federal Urban Transportation System Fund, the Highway Topics and Safety Program Fund, and the Metropolitan Planning Fund. The Michigan Department of Transportation is recognized as the legal representative of the State, including all governmental subdivisions, in the administration of these programs. The financing accounted for in these funds consists primarily of federal matching funds with very little State funds.

COMBINED RECREATION BOND FUND

Established in 1988, this fund operates under Sections 324.19601 – 324.19616, 324.71303, 324.71501 – 324.71514, and 324.74106 – 24.74113 of the Michigan Compiled Laws. The balances in the fund reflect proceeds and investment earnings remaining from two bond packages: \$70 million of general obligation bonds approved by voters in November 1988 as part of a \$140 million bond package for financing State and local public recreation projects and \$50 million of general obligation bonds approved by voters in November 1998 as part of a \$675 million bond package known as the "Clean Michigan Initiative."

Proceeds from the 1988 bond package were used to construct, expand, and develop recreational facilities at State parks, provide grants and loans to local units of government for recreation projects and to discourage development of open space and underdeveloped lands. Proceeds from the 1998 bond package were used to improve State parks with the installation or upgrade of drinking water systems or restroom facilities and to provide grants and loans to local units of government for recreation projects.

In fiscal year 2011, the remaining bond balances related to the 1998 bond package used to improve State parks were transferred to the State Park Improvement Account within the Michigan Conservation and Recreation Legacy Fund pursuant to Public Act 50 of 2011, section 303. A significant portion of the remaining bond balances related to the 1998 bond package used for grants to local units of government were transferred to the Michigan Natural Resources Trust Fund pursuant to Public Act 50 of 2011, section 302.

STATE BUILDING AUTHORITY

The State Building Authority (SBA) was created pursuant to Michigan Compiled Laws Section 830.412, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education, as well as State furnishings and equipment. The SBA's five-member board is appointed by the Governor.

This capital projects fund accounts for the construction of State projects, certain equipment financing, and higher education related projects. Transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements of expenditures to the SBA Advance Financing Fund, and the transfer of net assets remaining after the completion of a project to the debt service fund. In the State's Government-wide Financial Statements, accumulated expenditures for incomplete projects are reflected as "construction in progress" and completed projects are recorded as "buildings."

ADVANCE FINANCING FUNDS

The Advance Financing Funds reflects the activities of two sub-funds: the State Building Authority (SBA) Advance Financing Fund and the Site Preparation Economic Development Fund.

The SBA Advance Financing Fund was administratively established to account for expenditures incurred for equipment, higher education, and State projects prior to the issuance of SBA bonds. Appropriation acts and concurrent resolutions provide temporary financing of such expenditures for legislatively authorized projects. Expenditures on behalf of SBA are recorded when incurred. At year-end, any deficit in the common cash pool is reclassified as an interfund liability. In addition to advance expenditures, expenditures financed by the General Fund or other sources related to the SBA projects are recorded in this fund.

SBA, in its separately issued statements, does not recognize liabilities for these projects until bonds or commercial paper are issued; therefore, no receivable from SBA is recognized in this fund prior to bond or commercial paper issuance. This results in the fund showing a year-end fund balance deficit. SBA will reimburse this fund by recording a transfer and the deficit attributable to the bonded projects will be eliminated when SBA issues bonds or obtains commercial paper.

The Site Preparation Economic Development Fund is created through the annual appropriations process to account for expenditures incurred to prepare and sell State owned sites declared as surplus that would provide economic benefit to the area or State. Expenditures are recorded when incurred. Sale proceeds of fund properties are deposited into the fund.

Michigan

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2011

(In Thousands)

| | STATE TRUNKLINE FUND | STATE AERONAUTICS FUND | COMBINED STATE TRUNKLINE BOND PROCEEDS FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND |
|---|----------------------------|------------------------------|--|--|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ 712 | \$ 1 | \$ - | \$ - |
| Equity in common cash | 605,052 | 13,305 | 52,318 | 55,799 |
| Taxes, interest, and penalties receivable | - | 657 | - | - |
| Amounts due from other funds | 21,033 | - | - | - |
| Amounts due from component units | 1,196 | - | - | - |
| Amounts due from federal agencies | 162,949 | 20,510 | 890 | - |
| Amounts due from local units | 15,964 | 11,621 | 773 | - |
| Inventories | 12,933 | - | - | - |
| Investments | - | - | - | - |
| Other current assets | 2,905 | 71 | - | - |
| Total Current Assets | <u>822,745</u> | <u>46,166</u> | <u>53,982</u> | <u>55,799</u> |
| Amounts due from local units | 25,865 | 206 | - | - |
| Other noncurrent assets | <u>417</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 849,026</u> | <u>\$ 46,372</u> | <u>\$ 53,982</u> | <u>\$ 55,799</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | \$ 2,411 | \$ 69 | \$ - | \$ 45 |
| Accounts payable and other liabilities | 160,393 | 23,216 | 6,773 | 4,803 |
| Amounts due to other funds | 1,775 | 45 | - | - |
| Bonds and notes payable | - | - | - | - |
| Interest payable | - | - | - | - |
| Deferred revenue | 5,052 | - | 791 | - |
| Total Current Liabilities | <u>169,631</u> | <u>23,330</u> | <u>7,564</u> | <u>4,847</u> |
| Long-Term Liabilities: | | | | |
| Deferred revenue | 467 | - | - | - |
| Total Liabilities | <u>170,098</u> | <u>23,330</u> | <u>7,564</u> | <u>4,847</u> |
| Fund Balances: | | | | |
| Nonspendable | 12,933 | - | - | - |
| Restricted | 665,995 | 23,042 | 46,417 | 50,952 |
| Unassigned | - | - | - | - |
| Total Fund Balances | <u>678,928</u> | <u>23,042</u> | <u>46,417</u> | <u>50,952</u> |
| Total Liabilities and Fund Balances | <u>\$ 849,026</u> | <u>\$ 46,372</u> | <u>\$ 53,982</u> | <u>\$ 55,799</u> |

Michigan

| <u>TRANSPORTATION RELATED TRUST FUNDS</u> | <u>COMBINED RECREATION BOND FUND</u> | <u>STATE BUILDING AUTHORITY</u> | <u>ADVANCE FINANCING FUNDS</u> | <u>TOTALS</u> |
|---|--|---|--|---------------------|
| \$ 447 | \$ - | \$ - | \$ - | \$ 1,159 |
| - | 458 | - | - | 726,933 |
| - | - | - | - | 657 |
| - | - | - | 34,138 | 55,171 |
| - | - | - | - | 1,196 |
| 37,846 | - | - | - | 222,196 |
| 30,904 | - | - | - | 59,263 |
| - | - | - | - | 12,933 |
| - | - | 19,187 | - | 19,187 |
| - | - | - | - | 2,976 |
| <u>69,197</u> | <u>458</u> | <u>19,187</u> | <u>34,138</u> | <u>1,101,671</u> |
| - | - | - | - | 26,071 |
| - | - | - | - | 417 |
| <u>\$ 69,197</u> | <u>\$ 458</u> | <u>\$ 19,187</u> | <u>\$ 34,138</u> | <u>\$ 1,128,159</u> |
| | | | | |
| \$ 1,466 | \$ - | \$ - | \$ - | \$ 3,990 |
| 48,690 | - | 469 | 35,349 | 279,693 |
| 19,040 | - | 34,138 | 13,994 | 68,991 |
| - | - | 10,500 | - | 10,500 |
| - | - | 2 | - | 2 |
| - | - | - | - | 5,844 |
| <u>69,197</u> | <u>-</u> | <u>45,109</u> | <u>49,342</u> | <u>369,020</u> |
| | | | | |
| <u>69,197</u> | <u>-</u> | <u>45,109</u> | <u>49,342</u> | <u>369,487</u> |
| | | | | |
| - | - | - | - | 12,933 |
| - | 458 | - | - | 786,864 |
| - | - | (25,921) | (15,205) | (41,126) |
| - | 458 | (25,921) | (15,205) | 758,672 |
| <u>\$ 69,197</u> | <u>\$ 458</u> | <u>\$ 19,187</u> | <u>\$ 34,138</u> | <u>\$ 1,128,159</u> |

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

CAPITAL PROJECTS FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | STATE TRUNKLINE FUND | STATE AERONAUTICS FUND | COMBINED STATE TRUNKLINE BOND PROCEEDS FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND |
|---|----------------------------|------------------------------|--|--|
| REVENUES | | | | |
| Taxes | \$ - | \$ 5,621 | \$ - | \$ - |
| From federal agencies | 1,001,678 | 81,857 | 89,742 | - |
| From local agencies | 16,955 | 13 | 338 | - |
| From services | 759 | 571 | - | - |
| From licenses and permits | 16,368 | 375 | - | - |
| Miscellaneous | 49,790 | 3,683 | 4,671 | 181 |
| Total Revenues | <u>1,085,551</u> | <u>92,119</u> | <u>94,751</u> | <u>181</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | - | - | - | - |
| Conservation, environment, recreation, and agriculture | - | - | - | - |
| Transportation | 551,339 | 93,261 | 5,198 | 13,440 |
| Capital outlay | 993,572 | 428 | 54,308 | 1,226 |
| Debt service: | | | | |
| Capital lease payments | 344 | - | - | - |
| Total Expenditures | <u>1,545,254</u> | <u>93,689</u> | <u>59,506</u> | <u>14,665</u> |
| Excess of Revenues over (under) Expenditures | <u>(459,704)</u> | <u>(1,570)</u> | <u>35,245</u> | <u>(14,485)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds and notes issued | - | - | - | - |
| Premium on bond issuance | - | - | - | - |
| Discount on bond issuance | - | - | - | - |
| Capital lease acquisitions | 1,018 | - | - | - |
| Proceeds from sale of capital assets | 53 | - | - | - |
| Transfers from other funds | 801,177 | 6,000 | - | 13,168 |
| Transfers to other funds | (218,098) | (3,550) | (45,832) | - |
| Total Other Financing Sources (Uses) | <u>584,149</u> | <u>2,450</u> | <u>(45,832)</u> | <u>13,168</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 124,446 | 880 | (10,587) | (1,317) |
| Fund Balances - Beginning of fiscal year - restated | <u>554,483</u> | <u>22,161</u> | <u>57,004</u> | <u>52,269</u> |
| Fund Balances - End of fiscal year | <u>\$ 678,928</u> | <u>\$ 23,042</u> | <u>\$ 46,417</u> | <u>\$ 50,952</u> |

Michigan

| <u>TRANSPORTATION RELATED TRUST FUNDS</u> | <u>COMBINED RECREATION BOND FUND</u> | <u>STATE BUILDING AUTHORITY</u> | <u>ADVANCE FINANCING FUNDS</u> | <u>TOTALS</u> |
|---|--|---|--|-------------------|
| \$ - 255,464 | \$ - | \$ - | \$ - | \$ 5,621 |
| | | | | 1,428,740 |
| - | - | - | - | 17,305 |
| - | - | - | - | 1,330 |
| - | - | - | - | 16,743 |
| 1,231 | 5 | 2,420 | - | 61,981 |
| <u>256,695</u> | <u>5</u> | <u>2,420</u> | <u>-</u> | <u>1,531,722</u> |
| | | | | |
| - | - | 66,159 | 13,038 | 79,197 |
| - | 1 | - | - | 1 |
| 256,695 | - | - | - | 919,933 |
| - | - | 60,551 | 1,849 | 1,111,933 |
| - | - | - | - | 344 |
| <u>256,695</u> | <u>1</u> | <u>126,710</u> | <u>14,886</u> | <u>2,111,407</u> |
| | | | | |
| - | 4 | (124,290) | (14,886) | (579,685) |
| <u>-</u> | <u>4</u> | <u>(124,290)</u> | <u>(14,886)</u> | <u>(579,685)</u> |
| | | | | |
| - | - | 263,539 | - | 263,539 |
| - | - | 5,908 | - | 5,908 |
| - | - | (94) | - | (94) |
| - | - | - | - | 1,018 |
| - | - | - | - | 53 |
| - | - | 279 | 73,893 | 894,517 |
| - | (3,567) | (81,608) | - | (352,655) |
| <u>-</u> | <u>(3,567)</u> | <u>188,024</u> | <u>73,893</u> | <u>812,285</u> |
| | | | | |
| - | (3,563) | 63,734 | 59,006 | 232,600 |
| <u>-</u> | <u>4,021</u> | <u>(89,655)</u> | <u>(74,211)</u> | <u>526,072</u> |
| <u>\$ -</u> | <u>\$ 458</u> | <u>\$ (25,921)</u> | <u>\$ (15,205)</u> | <u>\$ 758,672</u> |

Michigan

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)

| <u>Statutory/Budgetary Basis</u> | STATE TRUNKLINE FUND | | | STATE AERONAUTICS FUND | | |
|--|----------------------|-------------------|------------------|------------------------|------------------|-----------------|
| | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| REVENUES AND OTHER SOURCES | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 5,621 | \$ 5,621 | \$ - |
| From federal agencies | 1,001,678 | 1,001,678 | - | 81,857 | 81,857 | - |
| From local agencies | 16,955 | 16,955 | - | 13 | 13 | - |
| From services | 759 | 759 | - | 571 | 571 | - |
| From licenses and permits | 16,368 | 16,368 | - | 375 | 375 | - |
| Miscellaneous | 49,790 | 49,790 | - | 3,683 | 3,683 | - |
| Proceeds from sale of capital assets | 53 | 53 | - | - | - | - |
| Transfers in | 801,177 | 801,177 | - | 6,000 | 6,000 | - |
| Total Revenues and Other Sources | <u>1,886,781</u> | <u>1,886,781</u> | <u>-</u> | <u>98,119</u> | <u>98,119</u> | <u>-</u> |
| EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY | | | | | | |
| Transportation | 1,876,652 | 1,803,024 | 73,628 | 106,542 | 103,666 | 2,876 |
| Total Expenditures, Transfers Out, and Encumbrances | <u>1,876,652</u> | <u>1,803,024</u> | <u>73,628</u> | <u>106,542</u> | <u>103,666</u> | <u>2,876</u> |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | <u>\$ 10,129</u> | <u>83,757</u> | <u>\$ 73,628</u> | <u>\$ (8,423)</u> | <u>(5,546)</u> | <u>\$ 2,876</u> |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | 40,689 | | | 6,427 | |
| Funds not annually budgeted | | <u>-</u> | | | <u>-</u> | |
| Net Reconciling Items | | <u>40,689</u> | | | <u>6,427</u> | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | <u>124,446</u> | | | <u>880</u> | |
| FUND BALANCES (GAAP BASIS) | | | | | | |
| Beginning balances - restated | | <u>554,483</u> | | | <u>22,161</u> | |
| Ending balances (GAAP Basis) | | <u>\$ 678,928</u> | | | <u>\$ 23,042</u> | |

Michigan

FUNDS NOT ANNUALLY BUDGETED

| COMBINED STATE TRUNKLINE BOND PROCEEDS FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND | TRANSPORTATION RELATED TRUST FUNDS | COMBINED RECREATION BOND FUND | STATE BUILDING AUTHORITY | ADVANCE FINANCING FUNDS |
|--|--|--|-------------------------------------|--------------------------------|-------------------------------|
| ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (10,587) | (1,317) | - | (3,563) | 63,734 | 59,006 |
| (10,587) | (1,317) | - | (3,563) | 63,734 | 59,006 |
| (10,587) | (1,317) | - | (3,563) | 63,734 | 59,006 |
| 57,004 | 52,269 | - | 4,021 | (89,655) | (74,211) |
| \$ 46,417 | \$ 50,952 | \$ - | \$ 458 | \$ (25,921) | \$ (15,205) |

This schedule continued on next page.

Michigan

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUNDS (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)

| | <u>TOTALS</u> | | |
|---|-------------------|------------------|------------------|
| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE</u> |
| REVENUES AND OTHER SOURCES | | | |
| Taxes | \$ 5,621 | \$ 5,621 | \$ - |
| From federal agencies | 1,083,535 | 1,083,535 | - |
| From local agencies | 16,967 | 16,967 | - |
| From services | 1,330 | 1,330 | - |
| From licenses and permits | 16,743 | 16,743 | - |
| Miscellaneous | 53,473 | 53,473 | - |
| Proceeds from sale of capital assets | 53 | 53 | - |
| Transfers in | <u>807,177</u> | <u>807,177</u> | - |
| Total Revenues and Other Sources | <u>1,984,900</u> | <u>1,984,900</u> | - |
| EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY | | | |
| Transportation | <u>1,983,194</u> | <u>1,906,689</u> | <u>76,505</u> |
| Total Expenditures, Transfers Out, and Encumbrances | <u>1,983,194</u> | <u>1,906,689</u> | <u>76,505</u> |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | <u>\$ 1,706</u> | <u>78,211</u> | <u>\$ 76,505</u> |
| Reconciling Items: | | | |
| Encumbrances at September 30 | 47,115 | | |
| Funds not annually budgeted | <u>107,274</u> | | |
| Net Reconciling Items | <u>154,389</u> | | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | <u>232,600</u> | | |
| FUND BALANCES (GAAP BASIS) | | | |
| Beginning balances - restated | <u>526,072</u> | | |
| Ending balances (GAAP Basis) | <u>\$ 758,672</u> | | |

PERMANENT FUNDS

MICHIGAN NATURAL RESOURCES TRUST FUND

Article 9, Section 35, of the State Constitution created the Michigan Natural Resources Trust Fund. The fund, established in 1985, operates under Sections 324.1901 - 324.1910 of the Michigan Compiled Laws. The State Treasurer directs the investments of the fund, which include fixed income and equity investments.

Historically, most "royalty revenues" (i.e. rentals, royalties, and other revenues derived from mineral, coal, oil, and gas interests on State-owned lands) were credited to the fund with a portion (50%, up to \$10 million per year) transferred to the Michigan State Parks Endowment Fund (MSPEF). Two-thirds of royalty revenues, less the portion transferred to MSPEF, were added to the accumulated principal until that balance reached the constitutional limitation of \$500 million. This limitation was reached in fiscal year 2011; therefore most bonus, rental and royalty revenues are now constitutionally required to be deposited into the MSPEF.

The constitutional provision also limits all future appropriations to investment and other miscellaneous income of the fund. Appropriations are used to fund grants to local units of government as well as State agencies to acquire land or develop public recreation facilities and to fund payments in lieu of property taxes on State lands acquired by the fund.

MICHIGAN STATE PARKS ENDOWMENT FUND

Established in 1994, this fund is governed by the provisions of Michigan Compiled Laws Section 324.74119 to finance operations, maintenance, and capital improvements at Michigan State parks. The voters approved a constitutional amendment in August 2002 that changed the distribution formula and allows the State Treasurer to invest in equity securities and other types of investments. The fund was established with a \$40 million transfer from the sale of the Accident Fund of Michigan to provide funds for permanent investment. By statute, up to \$10 million per year of revenues from oil and gas bonuses, rentals, and royalties from State-owned land has been deposited into this fund through fiscal year 2011 when the Michigan Natural Resources Trust Fund (MNRTF) attained an accumulated principal amount of \$500 million. Currently all revenues from oil and gas bonuses, rentals, and royalties from State-owned land previously attributable to the MNRTF are deposited in the State Parks Endowment Fund until the accumulated principal is capped at \$800 million.

The legislature is limited to appropriating no more than 50% of the amount transferred from the MNRTF plus interest, investment earnings, and 50% of revenues from oil and gas bonuses, rentals, and royalties from State-owned land. When the fund's reserve reaches \$800 million, only the interest and earnings in excess of the amount needed to maintain the \$800 million principal limit, annually adjusted for inflation, may be expended.

MICHIGAN VETERANS' TRUST FUND

Article 9, Section 37 of the State Constitution created this fund to finance programs to assist veterans and their beneficiaries. A seven-member board of trustees governs the fund. Resources are provided by investment and common cash earnings. Expenditures and transfers out reflect grants to veterans and their widows or dependents, and administrative costs at both the State and local level. The fund is administered within the Department of Military and Veterans Affairs.

Michigan

COMBINING BALANCE SHEET
PERMANENT FUNDS

SEPTEMBER 30, 2011

(In Thousands)

| | MICHIGAN NATURAL RESOURCES TRUST FUND | MICHIGAN STATE PARKS ENDOWMENT FUND | MICHIGAN VETERANS' TRUST FUND | TOTALS |
|--|--|--|-------------------------------------|--------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Equity in common cash | \$ 218,358 | \$ 37,271 | \$ 5,450 | \$ 261,079 |
| Amounts due from local units | - | - | 76 | 76 |
| Other current assets | 2,807 | 6,305 | 358 | 9,470 |
| Total Current Assets | <u>221,165</u> | <u>43,576</u> | <u>5,885</u> | <u>270,626</u> |
| Investments | <u>483,726</u> | <u>132,794</u> | <u>45,506</u> | <u>662,026</u> |
| Total Assets | <u><u>\$ 704,891</u></u> | <u><u>\$ 176,370</u></u> | <u><u>\$ 51,390</u></u> | <u><u>\$ 932,652</u></u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | \$ 913 | \$ 62 | \$ - | \$ 975 |
| Accounts payable and other liabilities | 7,926 | 1,021 | 32 | 8,980 |
| Amounts due to other funds | 7 | 52 | 3 | 62 |
| Total Current Liabilities | <u>8,846</u> | <u>1,136</u> | <u>36</u> | <u>10,017</u> |
| Total Liabilities | <u>8,846</u> | <u>1,136</u> | <u>36</u> | <u>10,017</u> |
| Fund Balances: | | | | |
| Nonspendable | 500,000 | 155,457 | 50,000 | 705,457 |
| Restricted | <u>196,046</u> | <u>19,778</u> | <u>1,355</u> | <u>217,178</u> |
| Total Fund Balances | <u><u>696,046</u></u> | <u><u>175,234</u></u> | <u><u>51,355</u></u> | <u><u>922,635</u></u> |
| Total Liabilities and Fund Balances | <u><u>\$ 704,891</u></u> | <u><u>\$ 176,370</u></u> | <u><u>\$ 51,390</u></u> | <u><u>\$ 932,652</u></u> |

Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

PERMANENT FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | MICHIGAN NATURAL RESOURCES TRUST FUND | MICHIGAN STATE PARKS ENDOWMENT FUND | MICHIGAN VETERANS' TRUST FUND | TOTALS |
|---|--|--|-------------------------------------|-------------------|
| REVENUES | | | | |
| Miscellaneous | \$ 49,547 | \$ 23,086 | \$ 1,533 | \$ 74,166 |
| Total Revenues | <u>49,547</u> | <u>23,086</u> | <u>1,533</u> | <u>74,166</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 484 | 2 | 1 | 488 |
| Public safety and corrections | - | - | 2,126 | 2,126 |
| Conservation, environment, recreation, and agriculture | 2,975 | 12,073 | - | 15,048 |
| Capital outlay | <u>35,691</u> | <u>175</u> | <u>-</u> | <u>35,867</u> |
| Total Expenditures | <u>39,150</u> | <u>12,251</u> | <u>2,126</u> | <u>53,527</u> |
| Excess of Revenues over (under) Expenditures | <u>10,396</u> | <u>10,836</u> | <u>(594)</u> | <u>20,638</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 2 | - | - | 2 |
| Transfers from other funds | 1,833 | 10,000 | - | 11,833 |
| Transfers to other funds | <u>(10,032)</u> | <u>(136)</u> | <u>(7)</u> | <u>(10,175)</u> |
| Total Other Financing Sources (Uses) | <u>(8,197)</u> | <u>9,864</u> | <u>(7)</u> | <u>1,659</u> |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses | 2,199 | 20,700 | (601) | 22,298 |
| Fund Balances - Beginning of fiscal year | <u>693,847</u> | <u>154,535</u> | <u>51,956</u> | <u>900,337</u> |
| Fund Balances - End of fiscal year | <u>\$ 696,046</u> | <u>\$ 175,234</u> | <u>\$ 51,355</u> | <u>\$ 922,635</u> |

Michigan

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
PERMANENT FUNDS**

FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)

| <u>Statutory/Budgetary Basis</u> | MICHIGAN NATURAL RESOURCES TRUST FUND | | | MICHIGAN STATE PARKS ENDOWMENT FUND | | |
|--|--|-------------------|-----------------|--|-------------------|--------------|
| | BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| REVENUES AND OTHER SOURCES | | | | | | |
| Miscellaneous | \$ 49,547 | \$ 49,547 | \$ - | \$ 23,086 | \$ 23,086 | \$ - |
| Proceeds from sale of capital assets | 2 | 2 | - | - | - | - |
| Transfers in | 1,833 | 1,833 | - | 10,000 | 10,000 | - |
| Total Revenues and Other Sources | <u>51,381</u> | <u>51,381</u> | <u>-</u> | <u>33,086</u> | <u>33,086</u> | <u>-</u> |
| EXPENDITURES, TRANSFERS OUT, AND ENCUMBRANCES - BY BRANCH, DEPARTMENT/AGENCY | | | | | | |
| Military and Veterans Affairs | - | - | - | - | - | - |
| Natural Resources | 104,771 | 99,035 | 5,736 | 12,584 | 12,499 | 85 |
| Treasury | 530 | 484 | 46 | 2 | 2 | - |
| Total Expenditures, Transfers Out, and Encumbrances | <u>105,301</u> | <u>99,519</u> | <u>5,782</u> | <u>12,586</u> | <u>12,501</u> | <u>85</u> |
| Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis) | \$ <u>(53,920)</u> | <u>(48,138)</u> | <u>\$ 5,782</u> | <u>\$ 20,500</u> | <u>20,585</u> | <u>\$ 85</u> |
| Reconciling Items: | | | | | | |
| Encumbrances at September 30 | | <u>50,337</u> | | | <u>114</u> | |
| Net Reconciling Items | | <u>50,337</u> | | | <u>114</u> | |
| Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis) | | <u>2,199</u> | | | <u>20,700</u> | |
| FUND BALANCES (GAAP BASIS) | | | | | | |
| Beginning balances | | <u>693,847</u> | | | <u>154,535</u> | |
| Ending balances (GAAP Basis) | | <u>\$ 696,046</u> | | | <u>\$ 175,234</u> | |

Michigan

| MICHIGAN VETERANS' TRUST FUND | | | TOTALS | | |
|-------------------------------|--------------------|-------------------------|----------------------|------------------------|--------------------|
| BUDGET | ACTUAL | VARIANCE | BUDGET | ACTUAL | VARIANCE |
| \$ 1,533 | \$ 1,533 | \$ - | \$ 74,166 | \$ 74,166 | \$ - |
| - | - | - | 2 | 2 | - |
| - | - | - | 11,833 | 11,833 | - |
| <hr/> <u>1,533</u> | <hr/> <u>1,533</u> | <hr/> <u>-</u> | <hr/> <u>86,000</u> | <hr/> <u>\$ 86,000</u> | <hr/> <u>\$ -</u> |
| 5,026 | 2,133 | 2,893 | 5,026 | 2,133 | 2,893 |
| - | - | - | 117,354 | 111,533 | 5,821 |
| <hr/> <u>1</u> | <hr/> <u>1</u> | <hr/> <u>-</u> | <hr/> <u>534</u> | <hr/> <u>488</u> | <hr/> <u>46</u> |
| <hr/> <u>5,026</u> | <hr/> <u>2,133</u> | <hr/> <u>2,893</u> | <hr/> <u>122,913</u> | <hr/> <u>114,154</u> | <hr/> <u>8,760</u> |
| \$ (3,494) | (601) | \$ 2,893 | \$ (36,913) | (28,153) | \$ 8,760 |
| <hr/> <u>-</u> | <hr/> <u>-</u> | <hr/> <u>50,451</u> | <hr/> <u>-</u> | <hr/> <u>50,451</u> | <hr/> <u>-</u> |
| <hr/> <u>(601)</u> | <hr/> <u>-</u> | <hr/> <u>22,298</u> | <hr/> <u>-</u> | <hr/> <u>-</u> | <hr/> <u>-</u> |
| <hr/> <u>51,956</u> | <hr/> <u>-</u> | <hr/> <u>900,337</u> | <hr/> <u>-</u> | <hr/> <u>-</u> | <hr/> <u>-</u> |
| <hr/> <u>\$ 51,355</u> | <hr/> <u>-</u> | <hr/> <u>\$ 922,635</u> | <hr/> <u>-</u> | <hr/> <u>-</u> | <hr/> <u>-</u> |



ENTERPRISE FUNDS

ATTORNEY DISCIPLINE SYSTEM

The Attorney Discipline System (ADS) consists of the Attorney Grievance Commission and the Attorney Discipline Board. This system provides the courts, legal profession, and the general public with a means to ensure that complaints against attorneys for potential violations of the Court Rules and the Michigan Rules of Professional Conduct are properly heard and investigated, and that sanctions are imposed where required. ADS is under the supervision of the Michigan Supreme Court.

ADS receives revenue in the form of mandatory annual assessments on members of the State Bar of Michigan, provided for by Court Rules. This system also receives other revenue, primarily through the assessment of administrative fees and the recovery of costs, including subpoena fees and transcript costs.

LIQUOR PURCHASE REVOLVING FUND

Michigan Compiled Laws (MCL) Section 436.1221 authorized the Liquor Control Commission, within the Department of Licensing and Regulatory Affairs, to maintain a revolving fund that is to be derived from the money deposited to the credit of the commission with the State Treasurer. Under State monopoly, liquor is sold at wholesale through a State controlled, privately operated distribution system. The fund accounts for the sales of and the replenishing and transporting of the liquor stock. Administrative, warehousing, and delivery costs are paid for through the fund. At the end of each fiscal year, the net income of the fund is transferred to the General Fund in accordance with MCL Section 18.1435.

Michigan

COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS

SEPTEMBER 30, 2011

(In Thousands)

| | ATTORNEY DISCIPLINE SYSTEM | LIQUOR PURCHASE REVOLVING FUND | TOTALS |
|---|----------------------------------|---|------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$ 368 | \$ 1 | \$ 369 |
| Equity in common cash | - | 64,194 | 64,194 |
| Inventories | - | 5,904 | 5,904 |
| Investments | 5,946 | - | 5,946 |
| Other current assets | 163 | 7,525 | 7,687 |
| Total Current Assets | 6,477 | 77,623 | 84,100 |
| Capital Assets: | | | |
| Buildings and equipment | 512 | - | 512 |
| Allowance for depreciation | (381) | - | (381) |
| Total capital assets | 131 | - | 131 |
| Other noncurrent assets | 7 | - | 7 |
| Total Assets | \$ 6,615 | \$ 77,623 | \$ 84,237 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Warrants outstanding | \$ - | \$ 795 | \$ 795 |
| Accounts payable and other liabilities | 395 | 74,867 | 75,262 |
| Amounts due to other funds | - | 211 | 211 |
| Deferred revenue | 620 | - | 620 |
| Current portion of other long-term obligations | - | 465 | 465 |
| Total Current Liabilities | 1,016 | 76,338 | 77,353 |
| Long-Term Liabilities: | | | |
| Amounts due to other funds | - | 303 | 303 |
| Noncurrent portion of other long-term obligations | 591 | 107 | 697 |
| Total Liabilities | 1,606 | 76,747 | 78,353 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ 131 | \$ - | \$ 131 |
| Unrestricted | 4,877 | 876 | 5,753 |
| Total Net Assets | \$ 5,008 | \$ 876 | \$ 5,884 |

Michigan

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

ENTERPRISE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | ATTORNEY DISCIPLINE SYSTEM | LIQUOR PURCHASE REVOLVING FUND | TOTALS |
|---|----------------------------------|---|------------------------|
| OPERATING REVENUES | | | |
| Operating revenues | \$ 5,114 | \$ 812,140 | \$ 817,254 |
| Total Operating Revenues | <u>5,114</u> | <u>812,140</u> | <u>817,254</u> |
| OPERATING EXPENSES | | | |
| Salaries, wages, and other administrative | 4,911 | 66,734 | 71,645 |
| Depreciation | 30 | - | 30 |
| Purchases for resale | - | 592,882 | 592,882 |
| Premiums and claims | - | 23 | 23 |
| Other operating expenses | - | 1,222 | 1,222 |
| Total Operating Expenses | <u>4,941</u> | <u>660,861</u> | <u>665,802</u> |
| Operating Income (Loss) | <u>173</u> | <u>151,279</u> | <u>151,452</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Specific tax on spirits | - | 14,855 | 14,855 |
| Interest revenue | 76 | 115 | 191 |
| Other nonoperating revenues | - | 649 | 649 |
| Total Nonoperating Revenues (Expenses) | <u>76</u> | <u>15,619</u> | <u>15,695</u> |
| Income (Loss) Before Transfers | <u>249</u> | <u>166,898</u> | <u>167,147</u> |
| TRANSFERS | | | |
| Transfers to other funds | - | (166,898) | (166,898) |
| Change in net assets | <u>249</u> | <u>-</u> | <u>249</u> |
| Total net assets - Beginning of fiscal year | <u>4,760</u> | <u>876</u> | <u>5,635</u> |
| Total net assets - End of fiscal year | <u>\$ 5,008</u> | <u>\$ 876</u> | <u>\$ 5,884</u> |

Michigan

COMBINING STATEMENT OF CASH FLOWS

ENTERPRISE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | ATTORNEY DISCIPLINE SYSTEM | LIQUOR PURCHASE REVOLVING FUND | TOTALS |
|--|----------------------------------|---|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ - | \$ 812,140 | \$ 812,140 |
| Membership dues | 5,000 | - - | 5,000 |
| Payments to employees | (3,859) | (17,121) | (20,981) |
| Payments to suppliers | (650) | (647,186) | (647,837) |
| Other receipts | 183 | 9,189 | 9,372 |
| Other payments | (382) | (1,245) | (1,627) |
| Net cash provided (used) by operating activities | <u><u>\$ 292</u></u> | <u><u>\$ 155,777</u></u> | <u><u>\$ 156,068</u></u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Specific tax on spirits | \$ - | \$ 14,855 | \$ 14,855 |
| Transfers to other funds | <u><u>-</u></u> | <u><u>(166,898)</u></u> | <u><u>(166,898)</u></u> |
| Net cash provided (used) by noncapital financing activities | <u><u>\$ -</u></u> | <u><u>\$ (152,043)</u></u> | <u><u>\$ (152,043)</u></u> |
| CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | \$ (111) | \$ - | \$ (111) |
| Net cash provided (used) by capital and related financing activities | <u><u>\$ (111)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (111)</u></u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of investment securities | \$ (776) | \$ - | \$ (776) |
| Interest and dividends on investments | <u><u>76</u></u> | <u><u>115</u></u> | <u><u>191</u></u> |
| Net cash provided (used) by investing activities | <u><u>\$ (700)</u></u> | <u><u>\$ 115</u></u> | <u><u>\$ (585)</u></u> |
| Net cash provided (used) - all activities | \$ (519) | \$ 3,848 | \$ 3,329 |
| Cash and cash equivalents at beginning of year | <u><u>888</u></u> | <u><u>59,551</u></u> | <u><u>60,439</u></u> |
| Cash and cash equivalents at end of year | <u><u>\$ 368</u></u> | <u><u>\$ 63,399</u></u> | <u><u>\$ 63,768</u></u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | | |
| Per Statement of Net Assets Classifications: | | | |
| Cash | \$ 368 | \$ 1 | \$ 369 |
| Equity in common cash | - - | 64,194 | 64,194 |
| Warrants outstanding | - - | (795) | (795) |
| Cash and cash equivalents at end of year | <u><u>\$ 368</u></u> | <u><u>\$ 63,399</u></u> | <u><u>\$ 63,768</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ 173 | \$ 151,279 | \$ 151,452 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation expense | 30 | - - | 30 |
| Other nonoperating revenues | - - | 649 | 649 |
| Net Changes in Assets and Liabilities: | | | |
| Inventories | - - | 36 | 36 |
| Other assets (net) | 26 | (665) | (639) |
| Accounts payable and other liabilities | 8 | 4,477 | 4,486 |
| Deferred revenue | <u><u>54</u></u> | <u><u>-</u></u> | <u><u>54</u></u> |
| Net cash provided (used) by operating activities | <u><u>\$ 292</u></u> | <u><u>\$ 155,777</u></u> | <u><u>\$ 156,068</u></u> |

INTERNAL SERVICE FUNDS

CORRECTIONAL INDUSTRIES REVOLVING FUND

Authorized by Michigan Compiled Laws (MCL) Section 800.325, this fund accounts for the financial transactions of a manufacturing and processing industry, employing inmates incarcerated in Michigan's correctional institutions. MCL Section 800.326 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, a foreign government or agencies of a foreign government, a private vendor that operates the youth correctional facility, and certain tax-exempt organizations.

Executive Order 1992-13 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively. The minimum required payment was made in fiscal year 2011.

STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the State sponsored insurance plans that provide health, long-term disability, life, vision, and dental coverage for participating employees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis. A note to the financial statements entitled "Risk Management" provides additional information about this fund.

The amounts reflected as amounts due from other funds include reclassifications of other funds' negative balances in the common cash pool.

INFORMATION TECHNOLOGY FUND

This fund was created by administrative decision to provide telecommunication and information technology services for State agencies. User agencies are billed for the cost of such services. During fiscal year 2002, the use of this fund was expanded to account for all information technology activities of the executive branch as prescribed in Executive Order 2001-03.

OFFICE SERVICES REVOLVING FUND

Created in 1952, this fund operates under Michigan Compiled Laws Section 18.1269 to provide services in the following areas: printing, reproduction, microfilm, mailing, distribution of federal and state surplus property, and materials management. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment. During fiscal year 2002, the use of the fund was expanded to account for the purchase of bulk gas used by State agencies.

MOTOR TRANSPORT FUND

This fund was created by Michigan Compiled Laws Section 18.1213 to provide vehicle and travel services for State agencies. Activities include lease, purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short-term usage and are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are billed on a monthly basis for services rendered.

RISK MANAGEMENT FUND

Administratively established, this fund accounts for certain centralized risk management functions performed by the Department of Technology, Management and Budget for other State agencies. Currently, the fund has assumed a degree of risk for the automotive liability. This activity and administrative functions are recorded as operating activity of the fund. An activity of the fund for which the fund assumes no risk is the centralized processing of workers' compensation payments for State agencies. Workers' compensation long-term claim liabilities are recorded in the Government-wide Financial Statements and the related current year workers' compensation expenditures are recorded in the applicable funds.

Michigan

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2011

(In Thousands)

| | CORRECTIONAL INDUSTRIES REVOLVING FUND | STATE SPONSORED GROUP INSURANCE FUND | INFORMATION TECHNOLOGY FUND |
|---|---|--|-----------------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Equity in common cash | \$ - | \$ 228,529 | \$ - |
| Amounts due from other funds | | 16,113 | - |
| Inventories | 11,830 | - | 55 |
| Other current assets | 309 | 12,222 | 3,647 |
| Total Current Assets | <u>12,139</u> | <u>256,863</u> | <u>3,702</u> |
| Capital Assets: | | | |
| Land and other non-depreciable assets | - | - | 9,170 |
| Buildings and equipment | 39,940 | - | 745,429 |
| Allowance for depreciation | (21,541) | - | (528,707) |
| Total capital assets | <u>18,399</u> | <u>-</u> | <u>225,892</u> |
| Other noncurrent assets | <u>-</u> | <u>500</u> | <u>-</u> |
| Total Assets | <u>\$ 30,538</u> | <u>\$ 257,363</u> | <u>\$ 229,594</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Warrants outstanding | \$ 732 | \$ 4 | \$ 3,274 |
| Accounts payable and other liabilities | 1,394 | 10,558 | 41,191 |
| Amounts due to other funds | 7,448 | - | 10,761 |
| Deferred revenue | - | 122 | 21,131 |
| Current portion of other long-term obligations | 1,023 | 45,778 | 16,770 |
| Total Current Liabilities | <u>10,597</u> | <u>56,462</u> | <u>93,127</u> |
| Long-Term Liabilities: | | | |
| Advances from other funds | 6,004 | - | - |
| Amounts due to other funds | 29 | - | 2,877 |
| Deferred revenue | - | - | 48,152 |
| Noncurrent portion of other long-term obligations | <u>135</u> | <u>88,722</u> | <u>24,040</u> |
| Total Liabilities | <u>\$ 16,766</u> | <u>\$ 145,184</u> | <u>\$ 168,196</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ 18,399 | \$ - | \$ 202,450 |
| Restricted for other purposes | - | - | - |
| Unrestricted | <u>(4,627)</u> | <u>112,179</u> | <u>(141,052)</u> |
| Total Net Assets | <u>\$ 13,772</u> | <u>\$ 112,179</u> | <u>\$ 61,398</u> |

Michigan

| OFFICE SERVICES REVOLVING FUND | MOTOR TRANSPORT FUND | RISK MANAGEMENT FUND | TOTALS |
|---|----------------------------|----------------------------|-------------------|
| \$ 3,881 | \$ 5,897 | \$ 11,248 | \$ 249,555 |
| - | - | - | 16,113 |
| 3,283 | 400 | - | 15,568 |
| 4,018 | 2,695 | 1 | 22,890 |
| <u>11,181</u> | <u>8,992</u> | <u>11,249</u> | <u>304,126</u> |
| | | | |
| | | | 9,170 |
| 14,663 | 9,380 | - | 809,412 |
| (9,798) | (9,167) | - | (569,213) |
| <u>4,864</u> | <u>213</u> | <u>-</u> | <u>249,369</u> |
| | | | |
| | | 1,550 | 2,050 |
| | | | |
| \$ 16,046 | \$ 9,205 | \$ 12,799 | \$ 555,545 |
| | | | |
| | | | |
| | | | |
| \$ 38 | \$ 8 | \$ - | \$ 4,055 |
| 9,620 | 280 | 738 | 63,781 |
| 263 | 33 | 4 | 18,509 |
| 52 | - | - | 21,306 |
| 852 | 224 | 1,548 | 66,196 |
| <u>10,825</u> | <u>545</u> | <u>2,290</u> | <u>173,846</u> |
| | | | |
| | | | |
| | | | |
| | | | |
| - | - | - | 6,004 |
| 449 | 44 | - | 3,399 |
| - | - | - | 48,152 |
| 438 | 118 | 5,874 | 119,327 |
| <u>\$ 11,712</u> | <u>\$ 707</u> | <u>\$ 8,164</u> | <u>\$ 350,729</u> |
| | | | |
| | | | |
| | | | |
| \$ 4,864 | \$ 213 | \$ - | \$ 225,927 |
| - | 8,285 | - | 8,285 |
| (531) | - | 4,635 | (29,396) |
| <u>\$ 4,334</u> | <u>\$ 8,498</u> | <u>\$ 4,635</u> | <u>\$ 204,816</u> |

Michigan

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | CORRECTIONAL INDUSTRIES REVOLVING FUND | STATE SPONSORED GROUP INSURANCE FUND | INFORMATION TECHNOLOGY FUND |
|---|---|--|-----------------------------------|
| OPERATING REVENUES | | | |
| Operating revenues | \$ 33,851 | \$ 731,910 | \$ 522,073 |
| Total Operating Revenues | <u>33,851</u> | <u>731,910</u> | <u>522,073</u> |
| OPERATING EXPENSES | | | |
| Salaries, wages, and other administrative | 20,220 | 19,911 | 466,147 |
| Depreciation | 1,179 | - | 57,336 |
| Purchases for resale | - | - | - |
| Purchases for prison industries | 13,924 | - | - |
| Premiums and claims | - | 667,793 | 6 |
| Other operating expenses: | | | |
| Leased vehicles expense | - | - | - |
| Vehicle maintenance expense | - | - | - |
| Total other operating expenses | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Operating Expenses | <u>35,323</u> | <u>687,704</u> | <u>523,489</u> |
| Operating Income (Loss) | <u>(1,472)</u> | <u>44,206</u> | <u>(1,416)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest revenue | - | 375 | - |
| Other nonoperating revenues | - | - | 276 |
| Interest expense | (12) | - | (661) |
| Other nonoperating expense | (336) | - | (4,981) |
| Total Nonoperating Revenues (Expenses) | <u>(348)</u> | <u>375</u> | <u>(5,366)</u> |
| Income (Loss) Before Transfers | <u>(1,820)</u> | <u>44,581</u> | <u>(6,782)</u> |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | |
| Transfers from other funds | - | - | - |
| Transfers to other funds | <u>(244)</u> | <u>-</u> | <u>(2,346)</u> |
| Total Transfers In (Out) | <u>(244)</u> | <u>-</u> | <u>(2,346)</u> |
| Change in net assets | <u>(2,064)</u> | <u>44,581</u> | <u>(9,128)</u> |
| Total net assets - Beginning of fiscal year - restated | <u>15,836</u> | <u>67,598</u> | <u>70,526</u> |
| Total net assets - End of fiscal year | <u><u>\$ 13,772</u></u> | <u><u>\$ 112,179</u></u> | <u><u>\$ 61,398</u></u> |

Michigan

| <u>OFFICE SERVICES REVOLVING FUND</u> | <u>MOTOR TRANSPORT FUND</u> | <u>RISK MANAGEMENT FUND</u> | <u>TOTALS</u> |
|---|-------------------------------------|-------------------------------------|--------------------------|
| \$ 99,452 | \$ 59,149 | \$ 4,823 | \$ 1,451,257 |
| <u>99,452</u> | <u>59,149</u> | <u>4,823</u> | <u>1,451,257</u> |
| 23,014 | 5,057 | 2,810 | 537,158 |
| 848 | 239 | - | 59,602 |
| 68,770 | - | - | 68,770 |
| - | - | - | 13,924 |
| - | 2,065 | 2,386 | 672,250 |
| - | 23,399 | - | 23,399 |
| - | 28,255 | - | 28,255 |
| - | <u>51,655</u> | <u>-</u> | <u>51,655</u> |
| <u>92,632</u> | <u>59,016</u> | <u>5,196</u> | <u>1,403,359</u> |
| <u>6,820</u> | <u>133</u> | <u>(373)</u> | <u>47,899</u> |
| - | - | - | 375 |
| - | 11 | - | 287 |
| - | - | - | (673) |
| - | <u>(2)</u> | <u>-</u> | <u>(5,319)</u> |
| - | <u>9</u> | <u>-</u> | <u>(5,330)</u> |
| <u>6,820</u> | <u>142</u> | <u>(373)</u> | <u>42,568</u> |
| <u>101</u> | <u>-</u> | <u>-</u> | <u>101</u> |
| <u>(1,610)</u> | <u>(51)</u> | <u>(32)</u> | <u>(4,283)</u> |
| <u>(1,508)</u> | <u>(51)</u> | <u>(32)</u> | <u>(4,182)</u> |
| <u>5,311</u> | <u>91</u> | <u>(405)</u> | <u>38,386</u> |
| <u>(978)</u> | <u>8,408</u> | <u>5,039</u> | <u>166,429</u> |
| <u>\$ 4,334</u> | <u>\$ 8,498</u> | <u>\$ 4,635</u> | <u>\$ 204,816</u> |

Michigan

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | CORRECTIONAL INDUSTRIES REVOLVING FUND | STATE SPONSORED GROUP INSURANCE FUND | INFORMATION TECHNOLOGY FUND |
|---|---|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 33,972 | \$ 731,270 | \$ 505,561 |
| Payments to employees | (13,378) | - | (167,000) |
| Payments to suppliers | (15,272) | (313,246) | (302,230) |
| Claims paid | - | (377,468) | - |
| Other receipts | - | 272 | - |
| Other payments | (7,008) | - | - |
| Net cash provided (used) by operating activities | <u><u>\$ (1,687)</u></u> | <u><u>\$ 40,827</u></u> | <u><u>\$ 36,331</u></u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Loans or loan repayments from other funds | \$ 7,342 | \$ 10,347 | \$ 8,765 |
| Loans or loan repayments to other funds | (5,721) | (16,107) | (10,347) |
| Transfers from other funds | - | - | - |
| Transfers to other funds | (244) | - | (2,346) |
| Net cash provided (used) by noncapital financing activities | <u><u>\$ 1,377</u></u> | <u><u>\$ (5,760)</u></u> | <u><u>\$ (3,928)</u></u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | \$ (364) | \$ - | \$ (27,101) |
| Interest paid | (12) | - | - |
| Capital lease payments (including imputed interest expense) | - | - | (8,011) |
| Proceeds from sale of capital assets | - | - | - |
| Net cash provided (used) by capital and related financing activities | <u><u>\$ (376)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (35,111)</u></u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends on investments | \$ - | \$ 375 | \$ - |
| Net cash provided (used) by investing activities | <u><u>\$ -</u></u> | <u><u>\$ 375</u></u> | <u><u>\$ -</u></u> |
| Net cash provided (used) - all activities | \$ (686) | \$ 35,442 | \$ (2,709) |
| Cash and cash equivalents at beginning of year | <u><u>(46)</u></u> | <u><u>193,083</u></u> | <u><u>(565)</u></u> |
| Cash and cash equivalents at end of year | <u><u>\$ (732)</u></u> | <u><u>\$ 228,524</u></u> | <u><u>\$ (3,274)</u></u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | | |
| Per Statement of Net Assets Classifications: | | | |
| Cash | \$ - | \$ - | \$ - |
| Equity in common cash | - | 228,529 | - |
| Warrants outstanding | (732) | (4) | (3,274) |
| Cash and cash equivalents at end of year | <u><u>\$ (732)</u></u> | <u><u>\$ 228,524</u></u> | <u><u>\$ (3,274)</u></u> |
| RECONCILIOATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (1,472) | \$ 44,206 | \$ (1,416) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation expense | 1,179 | - | 57,336 |
| Other reconciling items | - | - | - |
| Net Changes in Assets and Liabilities: | | | |
| Inventories | (1,190) | - | 8 |
| Other assets (net) | 121 | 2,298 | (2,566) |
| Accounts payable and other liabilities | (325) | (5,678) | (17,031) |
| Net cash provided (used) by operating activities | <u><u>\$ (1,687)</u></u> | <u><u>\$ 40,827</u></u> | <u><u>\$ 36,331</u></u> |
| SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | |
| Capital contributions | \$ - | \$ - | \$ - |
| Cost of capital assets acquisitions financed by capital leases | - | - | 18,429 |
| Capital lease liabilities entered into during the year | - | - | (18,429) |
| Gain (loss) on disposal of capital assets | (336) | - | (4,981) |
| Total noncash investing, capital, and financing activities | <u><u>\$ (336)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (4,981)</u></u> |

Michigan

| OFFICE SERVICES REVOLVING FUND | MOTOR TRANSPORT FUND | RISK MANAGEMENT FUND | TOTALS |
|---|----------------------------------|---------------------------------------|---|
| \$ 100,430 (13,408) (79,094) | \$ 59,098 (2,660) (55,496) | \$ 4,823 (855) (1,898) (675) | \$ 1,435,154 (197,303) (767,236) (378,144) 489 (7,008) |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 7,927 | \$ 1,160 | \$ 1,395 | \$ 85,953 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ - (1,607) 101 (1,610) | \$ 1,607 - - (51) | \$ 5,333 - - (32) | \$ 33,393 (33,781) 101 (4,283) |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ (3,115) | \$ 1,556 | \$ 5,300 | \$ (4,570) |
| <hr/> | <hr/> | <hr/> | <hr/> |
| (1,090) - | \$ - - - 11 | \$ - - - <hr/> | \$ (28,555) (12) <hr/> <hr/> <hr/> |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ (957) | \$ 11 | \$ - | \$ (36,433) |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ - \$ - \$ 3,856 (13) | \$ - - 2,726 3,164 | \$ - - 6,695 4,553 | \$ 375 375 \$ 45,325 200,175 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 3,843 | \$ 5,890 | \$ 11,248 | \$ 245,500 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ - 3,881 (38) | \$ - 5,897 (8) | \$ - 11,248 - | \$ - 249,555 (4,055) |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 3,843 | \$ 5,890 | \$ 11,248 | \$ 245,500 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 6,820 | \$ 133 | \$ (373) | \$ 47,899 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| 848 - (556) 1,044 (228) | 239 - (18) 757 48 | - - - (1) 1,768 | 59,602 - (1,756) 1,654 (21,446) |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 7,927 | \$ 1,160 | \$ 1,395 | \$ 85,953 |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ - - - - | \$ - - - (2) | \$ - - - <hr/> | \$ - 18,429 (18,429) (5,319) |
| <hr/> | <hr/> | <hr/> | <hr/> |
| \$ - | \$ (2) | \$ - | \$ (5,319) |
| <hr/> | <hr/> | <hr/> | <hr/> |

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

Notes to the financial statements, entitled "Deferred Compensation Plans," "Pension Benefits," and "Other Postemployment Benefits," include additional information regarding the following funds and plans.

STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS

The State of Michigan 457 Plan and the State of Michigan 401k Plan are combined for reporting purposes. Both funds were administratively established to account for deferred compensation plans that permit State employees to defer a portion of their income until future years. Executive Order 1999-7 transferred administration of the plans from the Department of Treasury to the Department of Management and Budget (now known as the Department of Technology, Management and Budget). However, the State Treasurer continues to oversee investment options. Pursuant to P.A. 75 of 2010, plan documents were amended to allow qualified members of the Michigan Public School Employees' Retirement System to participate.

LEGISLATIVE PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Legislative Retirement System (LRS) created by Michigan Compiled Laws (MCL) Section 38.1001. LRS's pension plan provides benefits for members of the Legislature, the presiding officers, and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partially finance the fund. Legislative appropriations, interest on fund investments, and court fees complete the financing.

MCL Section 38.1018 amended LRS's enabling legislation to provide that individuals who first became a legislator or lieutenant governor on or after March 31, 1997, participate in the State's defined contribution plan.

LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Legislative Retirement System (LRS) created by Michigan Compiled Laws Section 38.1001. LRS's health plan provides its members with health, dental, vision, and hearing insurance coverage. This fund includes health coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

STATE POLICE PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605, which is administered by a nine-member board under the direction of a chairperson elected from the membership. MSPRS's pension plan provides retirement, survivor and disability benefits to Michigan State Police officers. Financing is provided by investment income and by an annual legislative appropriation.

STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan State Police Retirement System (MSPRS) created by Michigan Compiled Laws Section 38.1605. MSPRS's health plan provides all retirees with the option of receiving health, dental, and vision coverage.

STATE EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws (MCL) Section 38.2, which is administered by a nine-member board under the direction of an Executive Secretary. SERS's pension plan provides retirement, survivor and disability benefits to State employees.

Effective March 31, 1997, MCL Section 38.13 closed the plan to new applicants. All new employees become members of the State's defined contribution plan. The law also allows returning employees and members who left state employment on or before March 31, 1997, to elect the defined benefit plan instead of the defined contribution plan.

STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the State Employees' Retirement System (SERS) created by Michigan Compiled Laws Section 38.2. SERS's health plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws (MCL) Section 38.1321. An eight-member board governs administrative policy. MPSERS's pension plan provides retirement, survivor and disability benefits to the public school employees.

Employer contributions and investment earnings provide financing for the fund. Under MCL Section 38.1343a, employees may contribute additional amounts into a "member investment plan".

Various MCLs, beginning with Section 38.1304, were amended to create a new "pension plus" plan which pairs a guaranteed retirement income (defined benefit) with a flexible and transferable retirement savings (defined contribution) account for employees first hired after June 30, 2010.

PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan Public School Employees' Retirement System (MPSERS) created by Michigan Compiled Laws Section 38.1321. MPSERS's health plan provides all retirees with the option of receiving health, dental, and vision coverage.

Effective July 1, 2010, MCL Section 38.1343e requires employees to contribute a percentage of their compensation into a funding account established under the public employee retirement health care fund act.

JUDGES' PENSION BENEFITS FUND

This fund was established to account for pension benefits of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws (MCL) Section 38.2201. MJRS's pension plan provides retirement, survivor and disability benefits to judges in the judicial branch of State government. Financing comes from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations.

MCL Section 38.2401a, effective March 31, 1997, closed the plan to new entrants. Judges or state officials newly appointed or elected on or after March 31, 1997, become members of the State's defined contribution plan.

JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND

This fund was established to account for other postemployment benefits of the Michigan Judges Retirement System (MJRS) created by Michigan Compiled Laws Section 38.2201. MJRS's health plan provides all retirees with the option of receiving health, dental, and vision coverage. This fund includes health coverage for participants of both the defined benefit pension plan and the defined contribution retirement plan.

STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND

This fund was established by Michigan Compiled Laws Section 38.11 as a defined contribution pension plan for all State employees hired after March 31, 1997, and for those members of the State Employees' Retirement (defined benefit) System, Judges' Retirement System, and Legislative Retirement System who elected to transfer to this plan. Executive Order 1999-7 transferred administration of the fund from the Department of Treasury to the Department of Management and Budget (now known as the Department of Technology, Management and Budget). However, the State Treasurer continues to oversee investment options. Pursuant to P.A. 75 of 2010, plan documents were amended to allow qualified members of the Michigan Public School Employees' Retirement System to participate.

Michigan

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS**
SEPTEMBER 30, 2011
(In Thousands)

| | STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS | LEGISLATIVE PENSION BENEFITS FUND | LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND | STATE POLICE PENSION BENEFITS FUND |
|---|---|--|--|---|
| ASSETS | | | | |
| Equity in common cash | \$ 2,555 | \$ 2,769 | \$ 318 | \$ 13,234 |
| Receivables: | | | | |
| From participants | 73,180 | - | - | 12 |
| From employer | - | - | - | - |
| Other | 524 | - | - | - |
| Interest and dividends | - | 47 | 5 | 163 |
| Due from other funds | - | 75 | 9 | 1,510 |
| Due from component unit | - | - | - | - |
| Due from other governmental | - | - | 530 | - |
| Sale of investments | - | 354 | 41 | - |
| Investments at Fair Value: | | | | |
| Short-term investments | - | - | - | 31,695 |
| Fixed Income | - | - | - | 150,262 |
| Domestic equities | - | 52,128 | 5,801 | 280,307 |
| Real estate | - | - | - | 107,507 |
| Alternative investments | - | 7,771 | 899 | 227,461 |
| International equities | - | 1,667 | 193 | 124,039 |
| Absolute return | - | - | - | 59,136 |
| Mutual funds | 820,454 | 67,209 | 7,479 | - |
| Pooled investment funds | 1,982,423 | - | - | - |
| Separate accounts | 144,742 | - | - | - |
| Securities lending collateral | - | - | - | 113,096 |
| Total Assets | <u>\$ 3,023,879</u> | <u>\$ 132,019</u> | <u>\$ 15,275</u> | <u>\$ 1,108,421</u> |
| LIABILITIES | | | | |
| Warrants outstanding | \$ - | \$ 22 | \$ 3 | \$ 68 |
| Accounts payable and other liabilities | - | 807 | 94 | 88 |
| Amounts due to other funds | - | 3 | - | - |
| Obligations under security lending | - | - | - | 140,924 |
| Total Liabilities | <u>\$ -</u> | <u>\$ 833</u> | <u>\$ 96</u> | <u>\$ 141,080</u> |
| NET ASSETS | | | | |
| Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits | <u>\$ 3,023,879</u> | <u>\$ 131,186</u> | <u>\$ 15,179</u> | <u>\$ 967,341</u> |
| Reconciliation of Net Assets Held in Trust: | | | | |
| Pension benefits | \$ - | \$ 131,186 | \$ - | \$ 967,341 |
| Postemployment health-care benefits | - | - | 15,179 | - |
| Deferred compensation participants | <u>3,023,879</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total net assets held in trust for benefits | <u>\$ 3,023,879</u> | <u>\$ 131,186</u> | <u>\$ 15,179</u> | <u>\$ 967,341</u> |

Michigan

| STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND | STATE EMPLOYEES' PENSION BENEFITS FUND | STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND | PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND | PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND | JUDGES' PENSION BENEFITS FUND |
|---|--|--|--|--|--|
| \$ 141 | \$ 110,047 | \$ 1,372 | \$ 115,573 | \$ 5,555 | \$ 1,131 |
| - | 197 | - | 525 | - | 10 |
| 4 | 18,065 | 14,142 | 249,093 | 28,695 | 101 |
| 1,014 | - | 13,267 | - | - | - |
| 2 | 1,443 | 18 | 6,009 | 235 | 38 |
| 1,671 | 106,939 | - | - | - | - |
| - | 1,106 | - | - | - | - |
| 1,864 | - | 23,632 | - | 62,647 | - |
| - | - | - | - | - | - |
| 338 | 230,630 | 85,638 | 1,246,540 | 354,630 | 7,202 |
| 1,602 | 1,348,900 | 16,812 | 5,411,702 | 211,943 | 40,890 |
| 2,989 | 2,492,633 | 31,067 | 10,173,927 | 398,451 | 66,741 |
| 1,147 | 955,302 | 11,906 | 3,716,827 | 145,565 | 31,767 |
| 2,426 | 1,975,423 | 24,621 | 8,129,287 | 318,375 | 37,804 |
| 1,323 | 1,121,629 | 13,979 | 4,421,425 | 173,160 | 29,505 |
| 631 | 542,348 | 6,760 | 2,245,175 | 87,930 | 15,469 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,206 | 1,006,443 | 12,544 | 4,083,719 | 159,934 | 27,130 |
| <hr/> \$ 16,357 | <hr/> \$ 9,911,106 | <hr/> \$ 255,757 | <hr/> \$ 39,799,803 | <hr/> \$ 1,947,121 | <hr/> \$ 257,787 |
| <hr/> \$ 1 2,760 | <hr/> \$ 1,129 1,318 | <hr/> \$ 14 119,584 | <hr/> \$ 4,216 32,397 | <hr/> \$ 165 295,353 | <hr/> \$ 10 4 |
| <hr/> 1,503 | <hr/> 1,254,083 | <hr/> 15,630 | <hr/> 5,088,536 | <hr/> 199,287 | <hr/> 33,805 |
| <hr/> \$ 4,264 | <hr/> \$ 1,256,531 | <hr/> \$ 135,229 | <hr/> \$ 5,125,149 | <hr/> \$ 494,805 | <hr/> \$ 33,820 |
| <hr/> \$ 12,093 | <hr/> \$ 8,654,575 | <hr/> \$ 120,528 | <hr/> \$ 34,674,653 | <hr/> \$ 1,452,316 | <hr/> \$ 223,967 |
| <hr/> \$ - 12,093 | <hr/> \$ 8,654,575 | <hr/> \$ - 120,528 | <hr/> \$ 34,674,653 | <hr/> \$ - 1,452,316 | <hr/> \$ 223,967 |
| <hr/> \$ 12,093 | <hr/> \$ 8,654,575 | <hr/> \$ 120,528 | <hr/> \$ 34,674,653 | <hr/> \$ 1,452,316 | <hr/> \$ 223,967 |

This statement continued on next page.

Michigan

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)**
SEPTEMBER 30, 2011
(In Thousands)

| | JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND | STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND | TOTALS |
|--|--|---|----------------------|
| ASSETS | | | |
| Equity in common cash | \$ 3 | \$ 730 | \$ 253,428 |
| Receivables: | | | |
| From participants | - | 145,899 | 219,822 |
| From employer | 2 | - | 310,103 |
| Other | - | 361 | 15,165 |
| Interest and dividends | - | - | 7,961 |
| Due from other funds | - | - | 110,205 |
| Due from component unit | - | - | 1,106 |
| Due from other governmental | - | - | 88,672 |
| Sale of investments | - | - | 395 |
| Investments at Fair Value: | | | |
| Short-term investments | 20 | - | 1,956,692 |
| Fixed Income | 111 | - | 7,182,224 |
| Domestic equities | 182 | - | 13,504,225 |
| Real estate | 87 | - | 4,970,108 |
| Alternative investments | 103 | - | 10,724,170 |
| International equities | 80 | - | 5,887,001 |
| Absolute return | 42 | - | 2,957,490 |
| Mutual funds | - | 439,959 | 1,335,101 |
| Pooled investment funds | - | 869,131 | 2,851,554 |
| Separate accounts | - | 107,835 | 252,578 |
| Securities lending collateral | 74 | - | 5,404,146 |
| Total Assets | <u>\$ 704</u> | <u>\$ 1,563,914</u> | <u>\$ 58,032,144</u> |
| LIABILITIES | | | |
| Warrants outstanding | \$ - | \$ - | \$ 5,629 |
| Accounts payable and other liabilities | 14 | - | 452,420 |
| Amounts due to other funds | - | 3,713 | 3,717 |
| Obligations under security lending | 92 | - | 6,733,861 |
| Total Liabilities | <u>\$ 106</u> | <u>\$ 3,713</u> | <u>\$ 7,195,627</u> |
| NET ASSETS | | | |
| Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits | <u>\$ 598</u> | <u>\$ 1,560,201</u> | <u>\$ 50,836,517</u> |
| Reconciliation of Net Assets Held in Trust: | | | |
| Pension benefits | \$ - | \$ 1,560,201 | \$ 46,211,924 |
| Postemployment health-care benefits | 598 | - | 1,600,714 |
| Deferred compensation participants | - | - | 3,023,879 |
| Total net assets held in trust for benefits | <u>\$ 598</u> | <u>\$ 1,560,201</u> | <u>\$ 50,836,517</u> |



Michigan

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | STATE OF MICHIGAN DEFERRED COMPENSATION FUNDS | LEGISLATIVE PENSION BENEFITS FUND | LEGISLATIVE OTHER POSTEMPLOYMENT BENEFITS FUND | STATE POLICE PENSION BENEFITS FUND |
|---|--|--|---|---|
| ADDITIONS | | | | |
| Contributions: | | | | |
| From participants | \$ 122,984 | \$ 10 | \$ 104 | \$ 207 |
| From employers | - | - | 3,288 | 38,574 |
| From other plans | 140 | - | - | - |
| From other governmental | - | - | 880 | - |
| From other systems | 755 | - | - | - |
| Investment Income: | | | | |
| Net appreciation (depreciation) in fair value of investments | (60,106) | (4,562) | (501) | 21,193 |
| Interest, dividends, and other | 52,735 | 4,145 | 405 | 22,548 |
| Securities lending income | - | - | - | 1,957 |
| Less Investment Expense: | | | | |
| Investment activity expense | - | 584 | 64 | 3,528 |
| Securities lending expense | - | - | - | 439 |
| Net investment income (loss) | (7,371) | (1,001) | (160) | 41,732 |
| Miscellaneous income | 1,401 | 71 | 1,000 | 15 |
| Total Additions | <u>117,910</u> | <u>(920)</u> | <u>5,112</u> | <u>80,528</u> |
| DEDUCTIONS | | | | |
| Benefits paid to participants or beneficiaries | 144,517 | 12,180 | - | 111,810 |
| Medical, dental, and life insurance for retirees | - | - | 5,705 | - |
| Refunds and transfers to other systems | 277,255 | 11 | - | 5 |
| Administrative expense | 7,091 | 396 | 115 | 360 |
| Transfers to other funds | - | - | - | 2 |
| Total Deductions | <u>428,864</u> | <u>12,588</u> | <u>5,820</u> | <u>112,177</u> |
| Net increase (decrease) | (310,954) | (13,508) | (707) | (31,649) |
| Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - | | | | |
| Beginning of fiscal year - restated | <u>3,334,833</u> | <u>144,694</u> | <u>15,886</u> | <u>998,991</u> |
| Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - | | | | |
| End of fiscal year | <u>\$ 3,023,879</u> | <u>\$ 131,186</u> | <u>\$ 15,179</u> | <u>\$ 967,341</u> |
| Reconciliation of Net Increase in Assets: | | | | |
| Net increase (decrease) in assets held in trust for pension benefits | \$ - | \$ (13,508) | \$ - | \$ (31,649) |
| Net increase (decrease) in assets held in trust for postemployment benefits | - | - | (707) | - |
| Net increase (decrease) in assets held in trust for deferred compensation participants | (310,954) | - | - | - |
| Total net increase (decrease) | <u>\$ (310,954)</u> | <u>\$ (13,508)</u> | <u>\$ (707)</u> | <u>\$ (31,649)</u> |

Michigan

| STATE POLICE OTHER POSTEMPLOYMENT BENEFITS FUND | STATE EMPLOYEES' PENSION BENEFITS FUND | STATE EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND | PUBLIC SCHOOL EMPLOYEES' PENSION BENEFITS FUND | PUBLIC SCHOOL EMPLOYEES' OTHER POSTEMPLOYMENT BENEFITS FUND | JUDGES' PENSION BENEFITS FUND |
|---|--|--|--|--|--|
| \$ 1,333 31,627 | \$ 25,831 424,547 | \$ 27,648 388,196 | \$ 332,209 1,156,061 | \$ 384,978 794,840 | \$ 1,468 - |
| - 3,644 | 2 - | - 64,773 | 5 - | - 163,949 | - - |
| 265 287 24 | 184,704 193,148 17,456 | 2,398 10,681 227 | 670,315 730,520 71,619 | 26,523 109,203 2,834 | 5,010 5,374 473 |
| 44 5 527 | 31,143 3,882 360,284 | 404 50 12,851 | 124,905 15,805 1,331,744 | 4,942 625 132,993 | 775 109 9,972 |
| 8 | 146 | 293 | 704 | 85 | 52 |
| <u>37,139</u> | <u>810,810</u> | <u>493,761</u> | <u>2,820,722</u> | <u>1,476,844</u> | <u>11,492</u> |
| - 28,954 | 1,089,823 - | - 456,879 | 3,942,027 - | - 910,023 | 20,581 - |
| - 876 | 475 6,050 | 21 16,536 | 36,593 22,769 | 39 113,791 | - 141 |
| - 29,830 | 29 1,096,377 | - 473,436 | 158 4,001,547 | - 1,023,853 | - 20,722 |
| 7,309 | (285,567) | 20,324 | (1,180,824) | 452,991 | (9,230) |
| <u>4,785</u> | <u>8,940,142</u> | <u>100,204</u> | <u>35,855,478</u> | <u>999,325</u> | <u>233,197</u> |
| <u>\$ 12,093</u> | <u>\$ 8,654,575</u> | <u>\$ 120,528</u> | <u>\$ 34,674,653</u> | <u>\$ 1,452,316</u> | <u>\$ 223,967</u> |
| \$ - | \$ (285,567) | \$ - | \$ (1,180,824) | \$ - | \$ (9,230) |
| 7,309 | - | 20,324 | - | 452,991 | - |
| - | - | - | - | - | - |
| <u>\$ 7,309</u> | <u>\$ (285,567)</u> | <u>\$ 20,324</u> | <u>\$ (1,180,824)</u> | <u>\$ 452,991</u> | <u>\$ (9,230)</u> |

This statement continued on next page.

Michigan

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS (Continued)**
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)

| | JUDGES' OTHER POSTEMPLOYMENT BENEFITS FUND | STATE OF MICHIGAN DEFINED CONTRIBUTION RETIREMENT FUND | TOTALS |
|--|--|---|----------------|
| ADDITIONS | | | |
| Contributions: | | | |
| From participants | \$ 552 | \$ 84,904 | \$ 982,228 |
| From employers | - | 102,772 | 2,939,904 |
| From other plans | - | 7 | 154 |
| From other governmental | 2 | - | 233,247 |
| From other systems | - | 5,422 | 6,177 |
| Investment Income: | | | |
| Net appreciation (depreciation) in fair value of investments | 13 | (48,766) | 796,487 |
| Interest, dividends, and other | 25 | 19,535 | 1,148,607 |
| Securities lending income | 1 | - | 94,591 |
| Less Investment Expense: | | | |
| Investment activity expense | 2 | - | 166,393 |
| Securities lending expense | - | - | 20,916 |
| Net investment income (loss) | 37 | (29,231) | 1,852,377 |
| Miscellaneous income | 310 | 588 | 4,673 |
| Total Additions | 900 | 164,462 | 6,018,760 |
| DEDUCTIONS | | | |
| Benefits paid to participants or beneficiaries | - | 42,859 | 5,363,797 |
| Medical, dental, and life insurance for retirees | 401 | - | 1,401,963 |
| Refunds and transfers to other systems | - | 52,843 | 367,243 |
| Administrative expense | 36 | 3,443 | 171,603 |
| Transfers to other funds | - | - | 189 |
| Total Deductions | 437 | 99,145 | 7,304,794 |
| Net increase (decrease) | 464 | 65,318 | (1,286,034) |
| Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - Beginning of fiscal year - restated | 134 | 1,494,883 | 52,122,551 |
| Net assets held in trust for pension, postemployment health-care, and deferred compensation benefits - End of fiscal year | \$ 598 | \$ 1,560,201 | \$ 50,836,517 |
| Reconciliation of Net Increase in Assets: | | | |
| Net increase (decrease) in assets held in trust for pension benefits | \$ - | \$ 65,318 | \$ (1,455,460) |
| Net increase (decrease) in assets held in trust for postemployment benefits | 464 | - | 480,380 |
| Net increase (decrease) in assets held in trust for deferred compensation participants | - | - | (310,954) |
| Total net increase (decrease) | \$ 464 | \$ 65,318 | \$ (1,286,034) |

PRIVATE PURPOSE TRUST FUNDS

MICHIGAN EDUCATION SAVINGS PROGRAM

Michigan Compiled Laws Section 390.1473 established the Michigan Education Savings Program (MESP) as an entity within the Department of Treasury. MESP is a college-tuition savings plan that is designed to collect and invest deposits made by contributors, for purposes of financing tuition on behalf of future students. The State makes limited contributions into the program as prescribed by law. Investment earnings, held in trust by MESP, are Federal and State tax-deferred until the student is ready to attend college. The State offers a tax deduction for contributions made each year.

ESCHEATS FUND

The Escheats Fund operates under the authority of Sections 567.221 – 567.265 of the Michigan Compiled Laws and is used to account for unclaimed property held by the State until claimed by the rightful owners. All property, including any income or increment derived from the property, is subject to the custody of (escheated to) the State when certain criteria contained within the laws are met. Proceeds of the fund pay the administrative costs and prompt claims allowed under the laws.

GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND

This fund was administratively established to account for gifts, bequests, and deposits donated or entrusted to the State. Gifts and donations to the State may only be expended in accordance with applicable external restrictions. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool.

HOSPITAL PATIENTS' TRUST FUND

The Hospital Patients' Trust Fund operates under the authority of Michigan Compiled Laws Section 330.1730 and is used to account for funds of patients receiving services in State hospitals. The Department of Community Health (DCH), in conjunction with the State Treasury, acts as the trustee of this fund. This fund earns interest quarterly for its share of the equity in the State Treasurer's Common Cash pool. DCH distributes interest on a monthly basis to patients meeting minimum balance requirements.

Michigan

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

SEPTEMBER 30, 2011

(In Thousands)

| | MICHIGAN EDUCATION SAVINGS PROGRAM | ESCHEATS FUND | GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND | HOSPITAL PATIENTS' TRUST FUND | TOTALS |
|--|---|-------------------|--|-------------------------------------|---------------------|
| ASSETS | | | | | |
| Cash | \$ 305 | \$ - | \$ 1,763 | \$ 16 | \$ 2,083 |
| Equity in common cash | | | 17,669 | 135 | 174,218 |
| Receivables: | | | | | |
| Interest and dividends | 1,451 | - | 97 | - | 1,548 |
| Investments at Fair Value: | | | | | |
| Fixed income | - | - | 20,263 | - | 20,263 |
| Mutual funds | 2,337,399 | - | 9 | - | 2,337,408 |
| Guaranteed funding agreements | 263,426 | - | - | - | 263,426 |
| Other current assets | 3,028 | 777 | 2,698 | 2 | 6,503 |
| Other noncurrent assets | - | - | 625 | - | 625 |
| Total Assets | <u>\$ 2,605,608</u> | <u>\$ 157,191</u> | <u>\$ 43,123</u> | <u>\$ 152</u> | <u>\$ 2,806,074</u> |
| LIABILITIES | | | | | |
| Warrants outstanding | \$ - | \$ 2,044 | \$ 336 | \$ 18 | \$ 2,398 |
| Accounts payable and other liabilities | <u>5,362</u> | <u>43</u> | <u>3,550</u> | <u>9</u> | <u>8,964</u> |
| Total Liabilities | <u>\$ 5,362</u> | <u>\$ 2,087</u> | <u>\$ 3,887</u> | <u>\$ 27</u> | <u>\$ 11,363</u> |
| NET ASSETS | | | | | |
| Net assets held in trust for other purposes | <u>\$ 2,600,245</u> | <u>\$ 155,104</u> | <u>\$ 39,237</u> | <u>\$ 125</u> | <u>\$ 2,794,711</u> |

Michigan

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

PRIVATE PURPOSE TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | MICHIGAN EDUCATION SAVINGS PROGRAM | ESCHEATS FUND | GIFTS, BEQUESTS, AND DEPOSITS INVESTMENT FUND | HOSPITAL PATIENTS' TRUST FUND | TOTALS |
|---|---|------------------|--|-------------------------------------|--------------|
| ADDITIONS | | | | | |
| Contributions: | | | | | |
| From participants | \$ 996,469 | \$ - | \$ - | \$ 992 | \$ 996,469 |
| From clients | - | - | 63,089 | - | 64,081 |
| From gifts, bequests, and endowments | - | - | 37,736 | - | 37,736 |
| Investment Income: | | | | | |
| Net appreciation (depreciation) in fair value of investments | (48,352) | - | 124 | - | (48,228) |
| Interest, dividends, and other | 54,577 | - | 694 | - | 55,271 |
| Net investment income (loss) | 6,225 | - | 818 | - | 7,043 |
| Escheated property | - | 143,174 | - | - | 143,174 |
| Miscellaneous income | - | - | 79 | - | 79 |
| Total Additions | 1,002,695 | 143,174 | 101,722 | 992 | 1,248,583 |
| DEDUCTIONS | | | | | |
| Benefits paid to participants or beneficiaries | 771,221 | - | - | - | 771,221 |
| Amounts distributed to clients, claimants, or third parties | - | 65,768 | 100,306 | 1,008 | 167,082 |
| Administrative expense | 4,364 | 8,090 | 3 | - | 12,457 |
| Total Deductions | 775,585 | 73,858 | 100,309 | 1,008 | 950,761 |
| Net increase (decrease) | 227,109 | 69,316 | 1,412 | (16) | 297,822 |
| Net assets held in trust for others - | | | | | |
| Beginning of fiscal year | 2,373,136 | 85,788 | 37,824 | 141 | 2,496,890 |
| Net assets held in trust for others | | | | | |
| End of fiscal year | \$ 2,600,245 | \$ 155,104 | \$ 39,237 | \$ 125 | \$ 2,794,711 |
| Reconciliation of Net Increase in Assets: | | | | | |
| Net increase (decrease) in assets held in trust for other purposes | \$ 227,109 | \$ 69,316 | \$ 1,412 | \$ (16) | \$ 297,822 |
| Total net increase (decrease) | \$ 227,109 | \$ 69,316 | \$ 1,412 | \$ (16) | \$ 297,822 |

AGENCY FUNDS

ENVIRONMENTAL QUALITY DEPOSITS FUND

The Environmental Quality Deposits Fund accounts for deposits of performance bonds for which the Department of Environmental Quality has legal custody. The bonds held by this fund include bond deposits from the hazardous waste program and the solid waste program as provided by Sections 324.11141 and 324.11523 of the Michigan Compiled Laws (MCL) and from the scrap tire program as provided in MCL Section 324.16903.

INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established to account for deposits held by the State Treasurer on behalf of insurance carriers who are licensed or authorized to write insurance in the State and are required by Michigan Compiled Laws Section 500.411, to provide such deposits. All deposits are in the form of various securities and other acceptable assets.

CHILD SUPPORT COLLECTION FUND

This fund was administratively established to account for the activity of the Michigan State Disbursement Unit (MISDU). The MISDU, administered by the Department of Human Services, was created to provide a single location within the State for the receipt and disbursement of child support payments.

Michigan

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

SEPTEMBER 30, 2011

(In Thousands)

| | ENVIRONMENTAL QUALITY DEPOSITS FUND | INSURANCE CARRIER DEPOSITS FUND | CHILD SUPPORT COLLECTION FUND | TOTALS |
|---|--|--|-------------------------------------|--------------------------|
| | ASSETS | | | |
| Cash | \$ - | \$ - | \$ 42,509 | \$ 42,509 |
| Equity in common cash | 2,712 | 7,059 | - | 9,770 |
| Other current assets | - | - | 1 | 1 |
| Other noncurrent assets | - | 371,462 | - | 371,462 |
| Total Assets | <u><u>\$ 2,712</u></u> | <u><u>\$ 378,521</u></u> | <u><u>\$ 42,510</u></u> | <u><u>\$ 423,742</u></u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 2,712 | \$ 7,059 | \$ 41,700 | \$ 51,470 |
| Amounts due to other funds | - | - | 810 | 810 |
| Other long-term liabilities | - | 371,462 | - | 371,462 |
| Total Liabilities | <u><u>\$ 2,712</u></u> | <u><u>\$ 378,521</u></u> | <u><u>\$ 42,510</u></u> | <u><u>\$ 423,742</u></u> |

Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND

LIABILITIES - AGENCY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| | <u>BALANCE OCTOBER 1, 2010</u> | <u>ADDITIONS</u> | <u>DEDUCTIONS</u> | <u>BALANCE SEPTEMBER 30, 2011</u> |
|--|--|--------------------------|--------------------------|---|
| ENVIRONMENTAL QUALITY DEPOSITS FUND | | | | |
| ASSETS | | | | |
| Equity in common cash | \$ 2,737 | \$ 14 | \$ 39 | \$ 2,712 |
| Total Assets | <u>\$ 2,737</u> | <u>\$ 14</u> | <u>\$ 39</u> | <u>\$ 2,712</u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 2,737 | \$ 13 | \$ 38 | \$ 2,712 |
| Total Liabilities | <u>\$ 2,737</u> | <u>\$ 13</u> | <u>\$ 38</u> | <u>\$ 2,712</u> |
| | | | | |
| INSURANCE CARRIER DEPOSITS FUND | | | | |
| ASSETS | | | | |
| Equity in common cash | \$ 5,320 | \$ 63,818 | \$ 62,079 | \$ 7,059 |
| Other noncurrent assets | <u>376,694</u> | <u>81,991</u> | <u>87,223</u> | <u>371,462</u> |
| Total Assets | <u>\$ 382,014</u> | <u>\$ 145,809</u> | <u>\$ 149,302</u> | <u>\$ 378,521</u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 5,320 | \$ 63,818 | \$ 62,079 | \$ 7,059 |
| Other long-term liabilities | <u>376,694</u> | <u>81,991</u> | <u>87,223</u> | <u>371,462</u> |
| Total Liabilities | <u>\$ 382,014</u> | <u>\$ 145,809</u> | <u>\$ 149,302</u> | <u>\$ 378,521</u> |

Michigan

| CHILD SUPPORT COLLECTION FUND | BALANCE OCTOBER 1, 2010 | ADDITIONS | DEDUCTIONS | BALANCE SEPTEMBER 30, 2011 |
|--|-------------------------------|----------------------------|----------------------------|----------------------------------|
| | | | | |
| ASSETS | | | | |
| Cash | \$ 43,223 | \$ 1,483,501 | \$ 1,484,214 | \$ 42,509 |
| Other current assets | 5 | 5 | 9 | 1 |
| Total Assets | <u><u>\$ 43,227</u></u> | <u><u>\$ 1,483,506</u></u> | <u><u>\$ 1,484,224</u></u> | <u><u>\$ 42,510</u></u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 42,155 | \$ 1,515,732 | \$ 1,516,187 | \$ 41,700 |
| Amounts due to other funds | 1,073 | 5,607 | 5,870 | 810 |
| Total Liabilities | <u><u>\$ 43,227</u></u> | <u><u>\$ 1,521,340</u></u> | <u><u>\$ 1,522,058</u></u> | <u><u>\$ 42,510</u></u> |
| TOTALS - ALL AGENCY FUNDS | | | | |
| ASSETS | | | | |
| Cash | \$ 43,223 | \$ 1,483,501 | \$ 1,484,214 | \$ 42,509 |
| Equity in common cash | 8,057 | 63,832 | 62,118 | 9,770 |
| Other current assets | 5 | 5 | 9 | 1 |
| Other noncurrent assets | 376,694 | 81,991 | 87,223 | 371,462 |
| Total Assets | <u><u>\$ 427,978</u></u> | <u><u>\$ 1,629,328</u></u> | <u><u>\$ 1,633,564</u></u> | <u><u>\$ 423,742</u></u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 50,211 | \$ 1,579,563 | \$ 1,578,304 | \$ 51,470 |
| Amounts due to other funds | 1,073 | 5,607 | 5,870 | 810 |
| Other long-term liabilities | 376,694 | 81,991 | 87,223 | 371,462 |
| Total Liabilities | <u><u>\$ 427,978</u></u> | <u><u>\$ 1,667,162</u></u> | <u><u>\$ 1,671,398</u></u> | <u><u>\$ 423,742</u></u> |

COMPONENT UNITS – AUTHORITIES

FARM PRODUCE INSURANCE AUTHORITY

Michigan Compiled Laws (MCL) Section 285.315 created the Farm Produce Insurance Authority (FPIA) as a public body corporate. Operating under Sections 285.311 – 285.331 of the MCL, FPIA is governed and administered by a nine-member board of directors. FPIA administers a program in which producers of dry beans, grain, or corn may contribute to the Farm Produce Insurance Fund, a percentage of their net proceeds from all farm produce sold by the producer to a licensee in this State. Under this program the producer may recover from the fund for losses caused by the licensed grain dealer's financial failure.

LAND BANK FAST TRACK AUTHORITY

Michigan Compiled Laws Section 124.765 created the Land Bank Fast Track Authority (LBFTA) to assemble or dispose of public property, including tax reverted property, in a coordinated manner to foster the development of the property and to promote economic growth within the State. LBFTA receives tax reverted properties, undertakes expedited action to clear their titles, and then ensures the properties' redevelopment.

The LBFTA's seven-member governing board consists of the Director of the Department of Licensing and Regulatory Affairs, the Chief Executive Officer of the Michigan Economic Development Corporation or his or her designee, the Executive Director of the Michigan State Housing Development Authority or his or her designee, and four members appointed by the Governor.

MACKINAC BRIDGE AUTHORITY

Michigan Compiled Laws (MCL) Section 254.302 created the Mackinac Bridge Authority (MBA). MCL Section 254.314 empowered MBA to construct and operate a bridge between the lower and upper peninsulas of Michigan. Fares and earnings on investments finance the operation and maintenance of the bridge. State statutes require that MBA continue charging bridge tolls and repay State funds for all the subsidies provided in prior years.

MACKINAC ISLAND STATE PARK COMMISSION

Established in 1927, the Mackinac Island State Park Commission currently operates under Sections 324.76701 – 324.76709 of the Michigan Compiled Laws. The Governor, with the advice and consent of the Senate, appoints the seven-member commission. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds.

MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION

The Michigan Early Childhood Investment Corporation was created by an interlocal agreement between the Department of Human Services and participating intermediate school districts. The interlocal agreement was entered into pursuant to Sections 124.501 – 124.512 of the Michigan Compiled Laws. The Corporation's primary objective is to administer activities related to early childhood development.

The governing body of each participant shall appoint one member of the Corporation Board to serve at the will of the participant. For each member of the Corporation Board appointed by the governing body of a participant, the Governor shall appoint up to two members of the Corporation Board representing the State to serve at the will of the Governor. If there are fewer than five participants, the Governor may appoint up to twelve additional members of the Corporation Board representing the State to serve at the will of the Governor or until there are five or more participants. In addition, the Corporation shall have an Executive Committee of fifteen members, all appointed by the Governor. The committee shall exercise the powers of the Corporation.

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

The Michigan Economic Development Corporation (MEDC), under Article 7, Section 28 of the State Constitution of 1963 and Sections 124.501 – 124.512 of the Michigan Compiled Laws (MCL), is a public body corporate. Created by a ten-year contract (interlocal agreement) between participating local economic development corporations formed under Sections 125.1601 – 125.1636 of the MCL and the Michigan Strategic Fund, MEDC is a separate legal entity whose purpose is to stimulate, coordinate and advance economic development in the State. Under the terms of the agreement, the governance of MEDC resides in an executive committee of 20 members appointed to eight-year, staggered terms.

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) is a public body corporation and politic created by Michigan Compiled Laws (MCL) Section 125.2005 to help diversify the economy of the State and to provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. MCL Section 408.40 transferred all of the economic development functions of the former Department of Commerce and the Michigan Jobs Commission to MSF and placed MSF as an autonomous entity in the Department of Technology, Management and Budget (DTMB). In 2003, MCL Section 445.2011 transferred MSF from DTMB to the Department of Energy, Labor and Economic Growth. As part of the tobacco securitization legislation passed November 21, 2005, MCL Section 125.2005 transferred MSF to the Department of Treasury. MSF is governed by a board of eleven members, consisting of the directors of Department of Licensing and Regulatory Affairs, Treasury, and the Chief Executive Officer of the Michigan Economic Development Corporation. The Governor, with the advice and consent of the Senate, appoints the other eight members; none of those eight may be an employee of the State.

STATE BAR OF MICHIGAN

The State Bar of Michigan is an association of lawyers who are licensed to practice in Michigan. It is organized as a public body corporate. Its operations are financed solely from member dues and income from member services. The State Bar's budget is the responsibility of its Board of Commissioners, and it is not subject to State of Michigan appropriation procedures.

Michigan

COMBINING STATEMENT OF NET ASSETS

NON-MAJOR COMPONENT UNITS

AUTHORITIES

SEPTEMBER 30, 2011

(In Thousands)

| | FARM PRODUCE INSURANCE AUTHORITY | LAND BANK FAST TRACK AUTHORITY | MACKINAC BRIDGE AUTHORITY | MACKINAC ISLAND STATE PARK COMMISSION |
|---|---|--------------------------------------|---------------------------------|--|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ 1,164 | \$ - | \$ 746 | \$ 840 |
| Equity in common cash | - | - | - | - |
| Amounts due from component units | - | 493 | - | - |
| Amounts due from primary government | - | - | - | - |
| Amounts due from federal government | - | 6,034 | - | - |
| Inventories | - | - | - | 602 |
| Investments | 1,587 | - | 5,836 | 89 |
| Other current assets | 20 | - | 58 | 224 |
| Total Current Assets | <u>2,771</u> | <u>6,527</u> | <u>6,640</u> | <u>1,754</u> |
| Restricted Assets: | | | | |
| Cash and cash equivalents | - | - | - | 2,718 |
| Investments | - | - | - | 2,381 |
| Advances to primary government | - | - | - | - |
| Mortgages and loans receivable | - | - | - | - |
| Investments | 3,415 | - | 50,980 | - |
| Capital Assets: | | | | |
| Land and other non-depreciable assets | - | 14,682 | 125 | 394 |
| Buildings, equipment, and other depreciable assets | - | - | 7,764 | 11,631 |
| Less accumulated depreciation | - | - | (4,009) | (8,476) |
| Infrastructure | - | - | 102,722 | - |
| Construction in progress | - | - | - | 198 |
| Total capital assets | <u>-</u> | <u>14,682</u> | <u>106,602</u> | <u>3,748</u> |
| Other noncurrent assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 6,186</u> | <u>\$ 21,209</u> | <u>\$ 164,222</u> | <u>\$ 10,600</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | \$ - | \$ 176 | \$ - | \$ - |
| Accounts payable and other liabilities | - | 37 | 1,795 | 87 |
| Amounts due to component units | - | - | - | - |
| Amounts due to primary government | 94 | 2,053 | 1,296 | 214 |
| Bonds and notes payable | - | - | - | 50 |
| Interest payable | - | - | - | 15 |
| Deferred revenue | - | - | 794 | - |
| Current portion of other long-term obligations | - | 793 | 417 | - |
| Total Current Liabilities | <u>94</u> | <u>3,059</u> | <u>4,302</u> | <u>366</u> |
| Deferred revenue | - | - | 484 | - |
| Bonds and notes payable | - | - | - | 1,763 |
| Noncurrent portion of other long-term obligations | - | 8 | 338 | - |
| Total Liabilities | <u>\$ 94</u> | <u>\$ 3,067</u> | <u>\$ 5,123</u> | <u>\$ 2,129</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | \$ - | \$ 14,682 | \$ 106,602 | \$ 1,935 |
| Restricted For: | | | | |
| Construction and debt service | - | - | - | 3,019 |
| Other purposes | - | - | - | 2,770 |
| Unrestricted | <u>6,092</u> | <u>3,460</u> | <u>52,497</u> | <u>748</u> |
| Total Net Assets | <u>\$ 6,092</u> | <u>\$ 18,142</u> | <u>\$ 159,098</u> | <u>\$ 8,471</u> |

Michigan

| MICHIGAN EARLY CHILDHOOD INVESTMENT CORPORATION | MICHIGAN ECONOMIC DEVELOPMENT CORPORATION | MICHIGAN STRATEGIC FUND | STATE BAR OF MICHIGAN | TOTALS |
|--|--|-------------------------------|-----------------------------|-------------------|
| \$ 2,419 | \$ 28,860 | \$ 31,498 | \$ 1,568 | \$ 67,096 |
| - | 10,071 | 58,240 | - | 68,311 |
| - | 18,675 | - | - | 19,169 |
| 6,000 | - | - | - | 6,000 |
| - | 105 | 36,948 | - | 43,087 |
| - | - | - | 36 | 638 |
| 1,034 | 4,048 | - | 7,735 | 20,329 |
| 4,829 | 7,133 | 43,694 | 508 | 56,467 |
| 14,283 | 68,894 | 170,379 | 9,847 | 281,096 |
| | | | | |
| - | - | 25,012 | - | 27,730 |
| - | - | - | - | 2,381 |
| - | 1,500 | - | - | 1,500 |
| - | 15,271 | 43,088 | - | 58,359 |
| - | 34,615 | 78,511 | 3,090 | 170,611 |
| - | - | - | 381 | 15,582 |
| 130 | 17,582 | - | 11,070 | 48,178 |
| (16) | (8,676) | - | (6,574) | (27,751) |
| - | - | - | - | 102,722 |
| - | - | - | - | 198 |
| 114 | 8,906 | - | 4,876 | 138,928 |
| | | | | |
| 14,398 | \$ 129,285 | \$ 522,160 | \$ 17,914 | \$ 885,973 |
| | | | | |
| \$ - | \$ 466 | \$ 1,741 | \$ - | \$ 2,384 |
| 6,338 | 7,080 | 46,593 | \$ 970 | 62,901 |
| - | - | 18,675 | - | 18,675 |
| - | 98 | 16 | - | 3,770 |
| - | - | 2,410 | - | 2,460 |
| - | - | 3,798 | - | 3,813 |
| 5,279 | - | 71 | 1,262 | 7,406 |
| 29 | 1,156 | 960 | - | 3,355 |
| 11,646 | 8,801 | 74,265 | 2,232 | 104,764 |
| | | | | |
| - | - | - | - | 484 |
| - | - | 202,924 | - | 204,687 |
| 35 | 930 | 5,196 | - | 6,508 |
| \$ 11,682 | \$ 9,731 | \$ 282,385 | \$ 2,232 | \$ 316,443 |
| | | | | |
| \$ 114 | \$ 8,906 | \$ - | \$ 4,876 | \$ 137,116 |
| - | - | 1,347 | - | 4,366 |
| - | - | 235,302 | - | 238,072 |
| 2,601 | 110,648 | 3,126 | 10,805 | 189,977 |
| \$ 2,716 | \$ 119,554 | \$ 239,775 | \$ 15,682 | \$ 569,530 |

Michigan

COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - AUTHORITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2011
(In Thousands)

| <u>FUNCTIONS/PROGRAMS</u> | <u>PROGRAM REVENUES</u> | | | | |
|---|-------------------------|-----------------------------|--|--------------------------------------|------------------------------|
| | <u>EXPENSES</u> | <u>CHARGES FOR SERVICES</u> | <u>OPERATING GRANTS/ CONTRIBUTIONS</u> | <u>CAPITAL GRANTS/ CONTRIBUTIONS</u> | <u>NET (EXPENSE) REVENUE</u> |
| Farm Produce Insurance Authority | \$ 151 | \$ - | \$ - | \$ - | \$ (151) |
| Land Bank Fast Track Authority | 6,405 | - | 7,870 | 2,786 | 4,251 |
| Mackinac Bridge Authority | 13,967 | 18,898 | - | - | 4,932 |
| Mackinac Island State Park Commission | 4,477 | 4,016 | 239 | - | (221) |
| Michigan Early Childhood Investment Corporation | 30,809 | - | 28,991 | - | (1,818) |
| Michigan Economic Development Corporation | 64,636 | - | 60,544 | - | (4,092) |
| Michigan Strategic Fund | 205,853 | 3,131 | 93,134 | - | (109,588) |
| State Bar of Michigan | 11,085 | 11,577 | - | - | 492 |
| Total | <u>\$ 337,383</u> | <u>\$ 37,623</u> | <u>\$ 190,779</u> | <u>\$ 2,786</u> | <u>\$ (106,196)</u> |

Michigan

GENERAL REVENUES

| INTEREST AND INVESTMENT EARNINGS (LOSS) | PAYMENTS FROM STATE OF MICHIGAN | OTHER | CHANGE IN NET ASSETS | NET ASSETS BEGINNING OF YEAR RESTATED | NET ASSETS END OF YEAR |
|--|--|------------------|-------------------------|--|------------------------------|
| \$ 117 | \$ - | \$ - | \$ (34) | \$ 6,126 | \$ 6,092 |
| 3 | - | 612 | 4,867 | 13,275 | 18,142 |
| 1,931 | - | - | 6,862 | 152,236 | 159,098 |
| 85 | - | - | (137) | 8,608 | 8,471 |
| 10 | - | 17 | (1,792) | 4,508 | 2,716 |
| 1,637 | - | 4,008 | 1,554 | 118,000 | 119,554 |
| 9,009 | 122,047 | 61,633 | 83,101 | 156,674 | 239,775 |
| 135 | - | - | 626 | 15,055 | 15,682 |
| \$ 12,926 | \$ 122,047 | \$ 66,270 | \$ 95,048 | \$ 474,483 | \$ 569,530 |



COMPONENT UNITS – STATE UNIVERSITIES

The State has 13 legally separate public universities, 10 of which are included in this report as component units and 3 of which are excluded. Included are the 10 universities whose governing boards are appointed by the Governor and for which the State is legally accountable, as prescribed by the Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. Excluded are those 3 that have governing boards whose members are elected by the voters and, therefore, considered separate special purpose governments. The 3 that are excluded are the largest public universities: Michigan State University, University of Michigan, and Wayne State University. Also excluded are the public community colleges, for which local units of government are legally accountable.

The information presented in this report for the 10 universities is based upon their separately issued financial statements for the fiscal year ended on June 30, 2011. The universities include Central Michigan University and Western Michigan University presented as major component units and the following non-major component units: Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University.

Michigan

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS
STATE UNIVERSITIES
JUNE 30, 2011
(In Thousands)

| | EASTERN MICHIGAN UNIVERSITY | FERRIS STATE UNIVERSITY | GRAND VALLEY STATE UNIVERSITY | LAKE SUPERIOR STATE UNIVERSITY |
|--|-----------------------------------|-------------------------------|--|---|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ 6,168 | \$ 50,888 | \$ 82,266 | \$ 9,717 |
| Amounts due from component units | - | - | - | - |
| Amounts due from primary government | 39,371 | 14,000 | 40,030 | 2,451 |
| Amounts due from federal government | 3,298 | 116 | 2,260 | 303 |
| Amounts due from local units | - | - | - | - |
| Inventories | 950 | 921 | 2,420 | 240 |
| Investments | 40,607 | 40,216 | - | 1,270 |
| Other current assets | 16,608 | 4,585 | 18,246 | 1,760 |
| Total Current Assets | <u>107,001</u> | <u>110,727</u> | <u>145,223</u> | <u>15,740</u> |
| Restricted Assets: | | | | |
| Cash and cash equivalents | 4,405 | 453 | 23,224 | - |
| Investments | 78,438 | 18,230 | - | - |
| Mortgages and loans receivable | 12,125 | 17,638 | - | - |
| Mortgages and loans receivable | - | - | 8,244 | 2,763 |
| Investments | - | 54,058 | 192,611 | 15,300 |
| Capital Assets: | | | | |
| Land and other non-depreciable assets | 11,654 | 6,330 | 42,730 | 2,522 |
| Buildings, equipment, and other depreciable assets | 655,971 | 400,258 | 711,466 | 143,397 |
| Less accumulated depreciation | (276,200) | (168,449) | (220,168) | (91,629) |
| Construction in progress | 44,033 | 20,240 | 12,804 | - |
| Total capital assets | <u>435,458</u> | <u>258,379</u> | <u>546,831</u> | <u>54,290</u> |
| Other noncurrent assets | <u>2,241</u> | <u>2,578</u> | <u>23,694</u> | <u>-</u> |
| Total Assets | <u>\$ 639,669</u> | <u>\$ 462,063</u> | <u>\$ 939,827</u> | <u>\$ 88,093</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable and other liabilities | \$ 50,547 | \$ 20,713 | \$ 53,798 | \$ 2,799 |
| Amounts due to primary government | 189 | - | 92 | 162 |
| Bonds and notes payable | 3,205 | 4,455 | 5,195 | 1,100 |
| Interest payable | 2,670 | 1,300 | 1,160 | 159 |
| Deferred revenue | 8,956 | 7,241 | 13,241 | 1,073 |
| Current portion of other long-term obligations | 400 | - | 4,916 | 411 |
| Total Current Liabilities | <u>65,966</u> | <u>33,709</u> | <u>78,401</u> | <u>5,704</u> |
| Deferred revenue | - | 935 | 658 | - |
| Bonds and notes payable | 234,145 | 96,680 | 247,635 | 23,435 |
| Noncurrent portion of other long-term obligations | <u>31,034</u> | <u>35,384</u> | <u>24,057</u> | <u>2,940</u> |
| Total Liabilities | <u>\$ 331,146</u> | <u>\$ 166,708</u> | <u>\$ 350,751</u> | <u>\$ 32,079</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | \$ 205,293 | \$ 148,677 | \$ 314,064 | \$ 29,981 |
| Restricted For: | | | | |
| Education | - | 7,704 | 8,517 | 11,900 |
| Construction and debt service | - | - | 34,542 | 1,555 |
| Other purposes | 26,320 | - | - | 3,064 |
| Funds Held as Permanent Investments: | | | | |
| Expendable | - | 9,343 | 27,861 | - |
| Nonexpendable | 35,439 | 18,230 | 37,923 | 4,931 |
| Unrestricted | <u>41,471</u> | <u>111,401</u> | <u>166,169</u> | <u>4,583</u> |
| Total Net Assets | <u>\$ 308,523</u> | <u>\$ 295,355</u> | <u>\$ 589,076</u> | <u>\$ 56,014</u> |

Michigan

| MICHIGAN TECHNOLOGICAL UNIVERSITY | NORTHERN MICHIGAN UNIVERSITY | OAKLAND UNIVERSITY | SAGINAW VALLEY STATE UNIVERSITY | TOTALS |
|---|------------------------------------|-----------------------|--|---------------------|
| \$ 13,117 | \$ 46,985 | \$ 32,718 | \$ 34,399 | \$ 276,258 |
| - | 5 | - | - | 5 |
| 9,068 | 11,653 | 9,242 | 17,330 | 143,145 |
| 4,668 | 1,405 | 3,572 | 1,410 | 17,032 |
| - | 37 | - | - | 37 |
| 1,524 | 1,377 | 856 | 3,876 | 12,163 |
| - | - | - | 55 | 82,148 |
| 10,532 | 6,471 | 9,774 | 3,909 | 71,885 |
| <u>38,909</u> | <u>67,934</u> | <u>56,162</u> | <u>60,979</u> | <u>602,674</u> |
| 4,404 | - | - | 63 | 32,549 |
| 96,864 | - | 44,789 | - | 238,322 |
| - | - | 1,491 | - | 31,255 |
| 12,454 | 6,891 | - | 22 | 30,374 |
| 8,071 | 74,660 | 144,813 | 61,565 | 551,078 |
| 14,998 | 6,930 | 4,625 | 2,506 | 92,294 |
| 373,544 | 359,436 | 419,363 | 422,490 | 3,485,924 |
| (148,306) | (143,674) | (187,559) | (136,952) | (1,372,937) |
| 9,885 | 2,488 | 34,616 | 12,251 | 136,316 |
| <u>250,120</u> | <u>225,180</u> | <u>271,045</u> | <u>300,294</u> | <u>2,341,597</u> |
| <u>9,956</u> | <u>3,180</u> | <u>17,724</u> | <u>4,321</u> | <u>63,696</u> |
| <u>\$ 420,780</u> | <u>\$ 377,845</u> | <u>\$ 536,024</u> | <u>\$ 427,243</u> | <u>\$ 3,891,544</u> |
| | | | | |
| \$ 13,456 | \$ 15,049 | \$ 25,293 | \$ 20,060 | \$ 201,716 |
| 475 | 361 | 404 | - | 1,682 |
| 1,585 | 3,304 | 3,632 | 4,966 | 27,442 |
| 834 | - | 1,125 | - | 7,247 |
| 2,978 | 3,728 | 9,652 | 7,408 | 54,276 |
| 7,363 | 442 | 904 | 103 | 14,538 |
| <u>26,691</u> | <u>22,884</u> | <u>41,008</u> | <u>32,537</u> | <u>306,900</u> |
| | | | | |
| - | - | 804 | 2,393 | 4,791 |
| 80,688 | 92,230 | 124,270 | 121,279 | 1,020,362 |
| 5,995 | 8,524 | 14,446 | 3,716 | 126,095 |
| <u>\$ 113,374</u> | <u>\$ 123,637</u> | <u>\$ 180,528</u> | <u>\$ 159,925</u> | <u>\$ 1,458,148</u> |
| | | | | |
| \$ 168,275 | \$ 128,104 | \$ 151,829 | \$ 175,791 | \$ 1,322,013 |
| 63,727 | 2,700 | 29,504 | 7,604 | 131,655 |
| - | - | - | 175 | 36,272 |
| - | - | - | - | 29,385 |
| | | | | |
| - | 25,506 | 10,313 | - | 73,024 |
| 61,275 | 3,278 | 18,057 | 39,512 | 218,644 |
| 14,129 | 94,621 | 145,793 | 44,236 | 622,403 |
| <u>\$ 307,406</u> | <u>\$ 254,208</u> | <u>\$ 355,495</u> | <u>\$ 267,317</u> | <u>\$ 2,433,396</u> |

Michigan**COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS - STATE UNIVERSITIES
FISCAL YEAR ENDED JUNE 30, 2011
(In Thousands)**

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | | | NET (EXPENSE) REVENUE |
|-----------------------------------|---------------------|-------------------------|---------------------------------------|-------------------------------------|---------------------|-----------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS/ CONTRIBUTIONS | CAPITAL GRANTS/ CONTRIBUTIONS | | |
| Eastern Michigan University | \$ 352,200 | \$ 206,028 | \$ 28,942 | \$ 21,361 | \$ (95,868) | |
| Ferris State University | 222,025 | 148,091 | 4,497 | - | (69,437) | |
| Grand Valley State University | 366,087 | 257,800 | 33,410 | 14,831 | (60,045) | |
| Lake Superior State University | 49,988 | 25,522 | 10,786 | 224 | (13,455) | |
| Michigan Technological University | 221,929 | 99,244 | 80,618 | 3,417 | (38,649) | |
| Northern Michigan University | 159,832 | 89,527 | 10,314 | 300 | (59,691) | |
| Oakland University | 248,290 | 166,100 | 27,977 | 1,497 | (52,717) | |
| Saginaw Valley State University | 129,697 | 85,996 | 9,783 | - | (33,918) | |
| Total | <u>\$ 1,750,049</u> | <u>\$ 1,078,310</u> | <u>\$ 206,328</u> | <u>\$ 41,631</u> | <u>\$ (423,780)</u> | |

Michigan

GENERAL REVENUES

| INTEREST AND INVESTMENT EARNINGS (LOSS) | PAYMENTS FROM STATE OF MICHIGAN | | CHANGE IN NET ASSETS | NET ASSETS BEGINNING OF YEAR RESTATED | NET ASSETS END OF YEAR |
|--|--|-------------------|-------------------------|--|------------------------------|
| | | OTHER | | | |
| \$ 13,422 | \$ 77,240 | \$ 39,005 | \$ 33,799 | \$ 274,724 | \$ 308,523 |
| 16,214 | 65,849 | 32,197 | 44,824 | 250,532 | 295,355 |
| 10,059 | 61,976 | 38,329 | 50,319 | 538,758 | 589,076 |
| 3,326 | 12,596 | - | 2,466 | 53,548 | 56,014 |
| 7,234 | 47,924 | - | 16,509 | 290,897 | 307,406 |
| 8,282 | 46,417 | 15,127 | 10,135 | 244,073 | 254,208 |
| 16,191 | 50,806 | 20,135 | 34,414 | 321,081 | 355,495 |
| 6,555 | 33,623 | 18,028 | 24,289 | 243,028 | 267,317 |
| \$ 81,283 | \$ 396,431 | \$ 162,821 | \$ 216,755 | \$ 2,216,640 | \$ 2,433,396 |





III. STATISTICAL SECTION



Michigan

Index STATISTICAL SECTION

This part of the State of Michigan's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

CONTENTS:

Financial Trends

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

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These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future. The State has no statutory limit on the amount of general obligation debt that may be authorized.

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

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Operating Information

These schedules contain information about the State's operations and resources to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

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SOURCES:

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the comprehensive annual financial reports for the relevant years.

Michigan

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

(In Thousands)

(Accrual Basis of Accounting)

| | 2002 | 2003 | 2004 | 2005 |
|---|----------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 15,014,812 | \$ 14,996,945 | \$ 14,962,902 | \$ 15,245,452 |
| Restricted | 2,016,570 | 1,886,336 | 1,993,335 | 2,086,764 |
| Unrestricted | 338,575 | (652,923) | (960,684) | (932,221) |
| Total governmental activities net assets | <u>\$ 17,369,957</u> | <u>\$ 16,230,358</u> | <u>\$ 15,995,554</u> | <u>\$ 16,399,994</u> |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ 443 | \$ 581 | \$ 566 | \$ 582 |
| Restricted | 2,563,917 | 1,765,699 | 1,164,540 | 894,513 |
| Unrestricted | 4,433 | 4,295 | 5,910 | 6,891 |
| Total business-type activities net assets | <u>\$ 2,568,793</u> | <u>\$ 1,770,575</u> | <u>\$ 1,171,016</u> | <u>\$ 901,986</u> |
| Primary government | | | | |
| Invested in capital assets, net of related debt | \$ 15,015,255 | \$ 14,997,525 | \$ 14,963,468 | \$ 15,246,033 |
| Restricted | 4,580,487 | 3,652,035 | 3,157,875 | 2,981,277 |
| Unrestricted | 343,008 | (648,628) | (954,774) | (925,330) |
| Total primary government net assets | <u>\$ 19,938,749</u> | <u>\$ 18,000,933</u> | <u>\$ 17,166,569</u> | <u>\$ 17,301,980</u> |
| Reconciliation of net assets | | | | |
| Beginning net assets | \$ 22,511,883 | \$ 19,938,749 | \$ 18,000,933 | \$ 17,166,569 |
| Restatement of beginning net assets | - | - | 203,870 | 75,489 |
| Beginning net assets - restated | <u>22,511,883</u> | <u>19,938,749</u> | <u>18,204,803</u> | <u>17,242,058</u> |
| Statement of Activities - changes in net assets | (2,573,134) | (1,937,817) | (1,038,233) | 59,922 |
| Change in reporting entity | - | - | - | - |
| Ending net assets | <u>\$ 19,938,749</u> | <u>\$ 18,000,933</u> | <u>\$ 17,166,569</u> | <u>\$ 17,301,980</u> |

Michigan

| <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|
| \$ 15,827,600 | \$ 15,739,094 | \$ 15,909,317 | \$ 16,313,696 | \$ 16,859,070 | \$ 17,782,073 |
| 2,064,965 | 2,292,779 | 2,599,760 | 2,577,249 | 2,691,477 | 3,552,062 |
| (1,313,574) | (1,337,824) | (1,868,935) | (3,928,376) | (4,860,007) | (5,325,636) |
| <u>\$ 16,578,992</u> | <u>\$ 16,694,049</u> | <u>\$ 16,640,142</u> | <u>\$ 14,962,570</u> | <u>\$ 14,690,540</u> | <u>\$ 16,008,499</u> |
| | | | | | |
| \$ 412 | \$ 367 | \$ 807 | \$ 735 | \$ 603 | \$ 578 |
| 621,982 | 358,712 | 72,672 | 137,064 | 145,056 | 131,453 |
| 7,827 | 4,798 | (121,773) | (2,425,221) | (3,163,457) | (2,911,176) |
| <u>\$ 630,220</u> | <u>\$ 363,877</u> | <u>\$ (48,294)</u> | <u>\$ (2,287,423)</u> | <u>\$ (3,017,798)</u> | <u>\$ (2,779,145)</u> |
| | | | | | |
| \$ 15,828,012 | \$ 15,739,461 | \$ 15,910,124 | \$ 16,314,431 | \$ 16,859,673 | \$ 17,782,652 |
| 2,686,947 | 2,651,490 | 2,672,432 | 2,714,313 | 2,836,533 | 3,683,515 |
| (1,305,747) | (1,333,025) | (1,990,708) | (6,353,597) | (8,023,463) | (8,236,812) |
| <u>\$ 17,209,212</u> | <u>\$ 17,057,926</u> | <u>\$ 16,591,848</u> | <u>\$ 12,675,147</u> | <u>\$ 11,672,743</u> | <u>\$ 13,229,354</u> |
| | | | | | |
| \$ 17,301,980 | \$ 17,209,212 | \$ 17,057,926 | \$ 16,591,848 | \$ 12,675,147 | \$ 11,672,743 |
| 188,188 | - | (54,373) | (176,594) | - | (5,377) |
| 17,490,168 | 17,209,212 | 17,003,554 | 16,415,254 | 12,675,147 | 11,667,366 |
| (692,181) | (575,518) | (495,759) | (3,757,816) | (1,002,404) | 1,561,989 |
| 411,225 | 424,232 | 84,053 | 17,709 | - | - |
| <u>\$ 17,209,212</u> | <u>\$ 17,057,926</u> | <u>\$ 16,591,848</u> | <u>\$ 12,675,147</u> | <u>\$ 11,672,743</u> | <u>\$ 13,229,354</u> |

Michigan

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(In Thousands)

(Accrual Basis of Accounting)

| | 2002 | 2003 | 2004 | 2005 |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,560,139 | \$ 1,714,827 | \$ 1,748,598 | \$ 1,877,410 |
| Education | 14,696,060 | 14,839,951 | 14,418,940 | 14,531,388 |
| Human services | 3,792,086 | 3,891,686 | 3,985,861 | 4,154,811 |
| Public safety and corrections | 2,161,486 | 2,159,537 | 2,256,393 | 2,320,406 |
| Conservation, environment, recreation, and agriculture | 691,796 | 612,638 | 674,387 | 652,326 |
| Labor, commerce, and regulatory | 898,235 | 901,562 | 920,056 | 936,467 |
| Health services | 8,952,390 | 9,362,895 | 9,605,216 | 10,179,705 |
| Transportation | 3,268,241 | 2,792,752 | 3,104,841 | 3,106,993 |
| Tax credits (Note 16) | 615,100 | 707,800 | 702,700 | 815,300 |
| Intergovernmental-revenue sharing | 1,517,303 | 1,451,374 | 1,305,146 | 1,112,931 |
| Interest on long-term debt | 248,263 | 281,408 | 246,992 | 287,519 |
| Total governmental activities | <u>38,401,099</u> | <u>38,716,430</u> | <u>38,969,130</u> | <u>39,975,258</u> |
| Business-type activities: | | | | |
| Liquor Purchase Revolving Fund | 494,696 | 515,243 | 544,683 | 557,377 |
| State Lottery Fund | 1,153,280 | 1,152,760 | 1,391,385 | 1,447,285 |
| Attorney Discipline System | - | - | 4,056 | 3,856 |
| Michigan Unemployment Compensation Funds | 2,328,713 | 2,473,817 | 2,349,400 | 1,892,486 |
| Total business-type activities | <u>3,976,689</u> | <u>4,141,820</u> | <u>4,289,524</u> | <u>3,901,003</u> |
| Total primary government expenses | <u><u>\$ 42,377,787</u></u> | <u><u>\$ 42,858,249</u></u> | <u><u>\$ 43,258,653</u></u> | <u><u>\$ 43,876,261</u></u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 664,533 | \$ 744,322 | \$ 911,721 | \$ 983,124 |
| Education | 10,587 | 14,030 | 5,277 | 4,858 |
| Human services | 54,982 | 49,917 | 58,170 | 53,400 |
| Public safety and corrections | 113,058 | 111,843 | 154,440 | 155,683 |
| Conservation, environment, recreation, and agriculture | 233,430 | 236,157 | 254,861 | 269,035 |
| Labor, commerce, and regulatory | 256,314 | 252,982 | 247,857 | 238,229 |
| Health services | 56,822 | 229,826 | 57,071 | 72,062 |
| Transportation | 219,129 | 217,466 | 197,125 | 201,598 |
| Operating grants and contributions | 10,848,672 | 11,290,702 | 11,783,472 | 11,792,127 |
| Capital grants and contributions | 589,530 | 546,713 | 618,445 | 805,580 |
| Total governmental activities program revenues | <u><u>\$ 13,047,057</u></u> | <u><u>\$ 13,693,957</u></u> | <u><u>\$ 14,288,438</u></u> | <u><u>\$ 14,575,696</u></u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Liquor Purchase Revolving Fund | \$ 607,413 | \$ 638,170 | \$ 675,747 | \$ 688,928 |
| State Lottery Fund | 1,729,938 | 1,700,313 | 2,002,688 | 2,082,229 |
| Attorney Discipline System | - | - | 4,593 | 4,588 |
| Michigan Unemployment Compensation Funds | 1,426,748 | 1,701,364 | 1,817,576 | 1,646,311 |
| Operating grants and contributions | 535,524 | 135,116 | 76,762 | 54,148 |
| Total business-type activities program revenues | <u><u>4,299,623</u></u> | <u><u>4,174,964</u></u> | <u><u>4,577,366</u></u> | <u><u>4,476,205</u></u> |
| Total primary government program revenues | <u><u>\$ 17,346,681</u></u> | <u><u>\$ 17,868,922</u></u> | <u><u>\$ 18,865,804</u></u> | <u><u>\$ 19,051,901</u></u> |
| Net (Expenses)/Revenues | | | | |
| Governmental activities | \$ (25,354,041) | \$ (25,022,472) | \$ (24,680,692) | \$ (25,399,562) |
| Business-type activities | 322,935 | 33,144 | 287,843 | 575,202 |
| Total primary government net expenses | <u><u>\$ (25,031,106)</u></u> | <u><u>\$ (24,989,328)</u></u> | <u><u>\$ (24,392,849)</u></u> | <u><u>\$ (24,824,360)</u></u> |

Michigan

| | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | | 2011 |
|------------------------|--------------|------------------------|--------------|------------------------|--------------|------------------------|--------------|------------------------|--------------|------------------------|--------------|
| \$ | 2,289,294 | \$ | 2,205,613 | \$ | 1,671,584 | \$ | 1,753,403 | \$ | 1,752,504 | \$ | 2,286,436 |
| 14,695,186 | | 14,660,163 | | 15,080,883 | | 15,251,821 | | 14,989,964 | | 15,269,638 | |
| 4,384,311 | | 4,453,497 | | 4,699,046 | | 5,410,078 | | 6,136,852 | | 6,423,345 | |
| 2,541,630 | | 2,583,916 | | 2,895,133 | | 2,994,466 | | 2,859,301 | | 2,863,890 | |
| 688,407 | | 596,972 | | 572,755 | | 617,768 | | 577,952 | | 575,118 | |
| 951,519 | | 963,444 | | 995,714 | | 1,187,368 | | 1,261,908 | | 1,178,970 | |
| 9,963,373 | | 10,832,862 | | 11,622,966 | | 12,334,951 | | 13,250,231 | | 13,917,219 | |
| 3,133,137 | | 3,191,784 | | 3,235,394 | | 3,244,824 | | 2,947,845 | | 2,460,553 | |
| 834,000 | | 883,400 | | 931,600 | | 963,500 | | 1,351,500 | | 1,271,900 | |
| 1,103,625 | | 1,071,104 | | 1,076,445 | | 1,040,031 | | 994,196 | | 1,091,527 | |
| 293,128 | | 304,702 | | 318,654 | | 350,421 | | 362,626 | | 217,014 | |
| <u>40,877,610</u> | | <u>41,747,457</u> | | <u>43,100,174</u> | | <u>45,148,632</u> | | <u>46,484,880</u> | | <u>47,555,610</u> | |
| 582,982 | | 602,280 | | 621,991 | | 633,093 | | 634,925 | | 660,861 | |
| 1,584,186 | | 1,654,823 | | 1,636,858 | | 1,710,718 | | 1,676,994 | | 1,631,489 | |
| 4,122 | | 4,282 | | 4,976 | | 5,026 | | 4,733 | | 4,941 | |
| <u>1,990,197</u> | | <u>2,012,082</u> | | <u>2,403,043</u> | | <u>6,215,392</u> | | <u>6,803,393</u> | | <u>4,350,158</u> | |
| 4,161,487 | | 4,273,467 | | 4,666,868 | | 8,564,229 | | 9,120,044 | | 6,647,450 | |
| <u>\$ 45,039,097</u> | | <u>\$ 46,020,924</u> | | <u>\$ 47,767,042</u> | | <u>\$ 53,712,861</u> | | <u>\$ 55,604,924</u> | | <u>\$ 54,203,060</u> | |
| \$ | 1,087,877 | \$ | 1,195,965 | \$ | 737,401 | \$ | 768,411 | \$ | 775,018 | \$ | 790,054 |
| 9,306 | | 10,377 | | 6,616 | | 5,790 | | 5,320 | | 5,491 | |
| 56,367 | | 59,285 | | 57,963 | | 46,903 | | 38,797 | | 34,810 | |
| 160,829 | | 164,345 | | 168,789 | | 157,751 | | 168,141 | | 166,034 | |
| 251,591 | | 185,978 | | 282,008 | | 254,128 | | 360,261 | | 266,062 | |
| 262,021 | | 312,983 | | 304,145 | | 306,657 | | 313,368 | | 316,941 | |
| 72,564 | | 72,338 | | 79,683 | | 84,647 | | 72,036 | | 90,558 | |
| 84,280 | | 79,459 | | 72,651 | | 69,685 | | 75,466 | | 92,045 | |
| 11,623,141 | | 12,295,825 | | 12,956,983 | | 16,755,408 | | 19,150,043 | | 19,608,970 | |
| 779,269 | | 627,057 | | 719,518 | | 921,847 | | 964,605 | | 1,061,715 | |
| <u>\$ 14,387,246</u> | | <u>\$ 15,003,612</u> | | <u>\$ 15,385,756</u> | | <u>\$ 19,371,229</u> | | <u>\$ 21,923,056</u> | | <u>\$ 22,432,679</u> | |
| \$ | 718,085 | \$ | 742,959 | \$ | 768,085 | \$ | 781,896 | \$ | 780,265 | \$ | 812,140 |
| 2,232,204 | | 2,363,001 | | 2,351,082 | | 2,398,995 | | 2,379,975 | | 2,357,417 | |
| 4,631 | | 4,782 | | 4,885 | | 4,943 | | 4,977 | | 5,114 | |
| 1,727,761 | | 1,765,871 | | 1,998,292 | | 3,922,144 | | 6,012,375 | | 4,441,664 | |
| 53,932 | | 55,783 | | 44,262 | | 104,154 | | 79,966 | | 172,038 | |
| 4,736,614 | | 4,932,397 | | 5,166,606 | | 7,212,131 | | 9,257,558 | | 7,788,373 | |
| <u>\$ 19,123,860</u> | | <u>\$ 19,936,008</u> | | <u>\$ 20,552,362</u> | | <u>\$ 26,583,360</u> | | <u>\$ 31,180,614</u> | | <u>\$ 30,221,052</u> | |
| \$ | (26,490,364) | \$ | (26,743,845) | \$ | (27,714,418) | \$ | (25,777,403) | \$ | (24,561,824) | \$ | (25,122,932) |
| 575,127 | | 658,929 | | 499,738 | | (1,352,097) | | 137,514 | | 1,140,924 | |
| <u>\$ (25,915,237)</u> | | <u>\$ (26,084,916)</u> | | <u>\$ (27,214,680)</u> | | <u>\$ (27,129,501)</u> | | <u>\$ (24,424,311)</u> | | <u>\$ (23,982,008)</u> | |

Michigan

CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (Continued)
 (In Thousands)
 (Accrual Basis of Accounting)

| | 2002 | 2003 | 2004 | 2005 |
|---|------------------------------|------------------------------|------------------------------|-----------------------------|
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| General: | | | | |
| Sales and use | \$ 2,560,816 | \$ 2,475,020 | \$ 2,565,865 | \$ 2,663,226 |
| Personal income | 4,549,592 | 4,569,230 | 4,693,512 | 5,036,282 |
| Single business and Michigan business | 1,783,582 | 1,824,292 | 1,773,325 | 1,934,003 |
| Tobacco products | 267,957 | 403,696 | 508,086 | 712,218 |
| Beer, wine, and liquor | 109,777 | 112,895 | 116,405 | 117,990 |
| Insurance company | 227,113 | 231,076 | 230,272 | 250,966 |
| Quality assurance assessment | - | - | 325,188 | 509,857 |
| Penalties and interest | 181,614 | 128,697 | 104,432 | 173,290 |
| Other | 419,068 | 388,810 | 355,861 | 444,732 |
| Restricted For Educational Purposes: | | | | |
| Sales and use | 5,177,407 | 5,081,189 | 5,143,414 | 5,283,583 |
| Personal income | 1,761,334 | 1,816,390 | 1,896,860 | 2,019,932 |
| Michigan business | - | - | - | - |
| Education, property, and real estate transfers | 1,847,603 | 2,408,728 | 2,142,706 | 2,236,159 |
| Tobacco products | 406,358 | 490,773 | 485,101 | 471,734 |
| Beer, wine, and liquor | 29,280 | 30,588 | 32,286 | 33,169 |
| Casino Gaming Wagering | 91,915 | 90,945 | 95,781 | 97,609 |
| Other | 167,137 | 179,652 | 162,129 | 151,918 |
| Restricted For Transportation Purposes: | | | | |
| Sales and use | 77,676 | 79,440 | 64,960 | 56,924 |
| Gasoline and diesel fuel | 1,090,866 | 1,089,558 | 1,070,488 | 1,068,565 |
| Motor vehicle weight | 827,347 | 844,695 | 933,822 | 863,367 |
| Other | 6,727 | 7,402 | 7,721 | 6,719 |
| Unrestricted investment and interest earnings | 51,657 | 14,132 | 9,728 | 14,141 |
| Miscellaneous | 790,940 | 739,966 | 592,700 | 681,837 |
| Contributions to permanent fund principal | 19,928 | 31,938 | 30,759 | 41,033 |
| Transfers | <u>894,513</u> | <u>843,762</u> | <u>901,580</u> | <u>859,260</u> |
| Total governmental activities | <u>\$ 23,340,208</u> | <u>\$ 23,882,874</u> | <u>\$ 24,242,982</u> | <u>\$ 25,728,514</u> |
| Business-type activities: | | | | |
| Taxes | 10,707 | 11,297 | 11,989 | 12,194 |
| Investment earnings | 1,562 | 1,102 | 1,225 | 2,784 |
| Miscellaneous | 8 | - | - | 50 |
| Transfers | <u>(894,513)</u> | <u>(843,762)</u> | <u>(901,580)</u> | <u>(859,260)</u> |
| Total business-type activities | <u><u>(882,235)</u></u> | <u><u>(831,363)</u></u> | <u><u>(888,366)</u></u> | <u><u>(844,232)</u></u> |
| Total primary government | <u><u>\$ 22,457,973</u></u> | <u><u>\$ 23,051,511</u></u> | <u><u>\$ 23,354,616</u></u> | <u><u>\$ 24,884,282</u></u> |
| Changes in Net Assets | | | | |
| Governmental activities | \$ (2,013,834) | \$ (1,139,599) | \$ (437,710) | \$ 328,952 |
| Business-type activities | (559,300) | (798,218) | (600,524) | (269,030) |
| Total primary government | <u><u>\$ (2,573,134)</u></u> | <u><u>\$ (1,937,817)</u></u> | <u><u>\$ (1,038,233)</u></u> | <u><u>\$ 59,922</u></u> |

NOTES: Beginning in fiscal year 2009, the State began reporting tobacco products tax revenue separately rather than included in other.

Beginning in fiscal year 2009, the State began reporting quality assurance assessment tax revenue separately rather than included in other. Amounts for years prior to 2004 are not available.

Michigan

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------|----------------------|----------------------|-----------------------|-----------------------|----------------------|--------------|
| \$ | 2,665,614 | \$ 2,635,341 | \$ 2,701,052 | \$ 2,439,220 | \$ 2,651,757 | \$ 2,784,245 |
| 5,123,885 | 5,321,169 | 6,229,339 | 4,639,740 | 4,931,508 | 5,822,443 | |
| 1,926,884 | 1,771,854 | 1,715,861 | 1,372,597 | 1,107,589 | 1,456,727 | |
| 690,234 | 678,826 | 652,609 | 631,339 | 612,414 | 593,462 | |
| 119,429 | 123,592 | 126,040 | 126,475 | 126,269 | 128,574 | |
| 218,104 | 223,753 | 223,398 | 261,006 | 257,359 | 271,198 | |
| 676,923 | 832,562 | 1,026,698 | 858,512 | 845,612 | 884,412 | |
| 146,807 | 155,789 | 167,297 | 145,675 | 135,939 | 132,724 | |
| 337,920 | 334,097 | 320,484 | 244,166 | 239,425 | 239,306 | |
| 5,240,334 | 5,230,217 | 5,424,253 | 4,848,489 | 5,006,696 | 5,399,478 | |
| 2,069,435 | 2,142,251 | 2,174,393 | 1,855,533 | 1,756,587 | 1,999,556 | |
| - | - | 341,000 | 669,341 | 604,395 | 611,433 | |
| 2,320,578 | 2,336,474 | 2,266,377 | 2,163,883 | 2,047,056 | 2,015,369 | |
| 466,985 | 449,912 | 427,303 | 410,590 | 392,113 | 377,288 | |
| 34,212 | 35,730 | 37,120 | 37,717 | 37,476 | 39,165 | |
| 104,069 | 106,681 | 112,067 | 108,080 | 101,816 | 114,017 | |
| 154,173 | 154,917 | 101,666 | 55,764 | 74,083 | 66,231 | |
| 66,405 | 67,678 | 82,114 | 82,887 | 76,778 | 90,025 | |
| 1,054,766 | 1,016,957 | 992,502 | 970,794 | 956,999 | 959,479 | |
| 867,663 | 874,287 | 854,736 | 839,648 | 841,840 | 859,783 | |
| 5,974 | 6,339 | 5,675 | 5,591 | 5,188 | 5,621 | |
| 9,991 | 12,097 | 7,595 | 4,911 | 1,464 | 696 | |
| 1,281,229 | 1,378,751 | 739,602 | 568,855 | 495,556 | 648,297 | |
| 35,153 | 26,165 | 57,937 | 30,091 | 101,587 | 28,773 | |
| 864,406 | 943,460 | 927,763 | 905,523 | 882,287 | 917,966 | |
| <u>\$ 26,481,174</u> | <u>\$ 26,858,903</u> | <u>\$ 27,714,884</u> | <u>\$ 24,276,425</u> | <u>\$ 24,289,795</u> | <u>\$ 26,446,268</u> | |
| 12,654 | 13,133 | 13,663 | 14,093 | 14,107 | 14,855 | |
| 4,861 | 5,055 | 2,192 | 763 | 276 | 191 | |
| - | - | - | 3,636 | 16 | 649 | |
| <u>(864,406)</u> | <u>(943,460)</u> | <u>(927,763)</u> | <u>(905,523)</u> | <u>(882,287)</u> | <u>(917,966)</u> | |
| <u>(846,892)</u> | <u>(925,273)</u> | <u>(911,909)</u> | <u>(887,031)</u> | <u>(867,889)</u> | <u>(902,271)</u> | |
| <u>\$ 25,634,282</u> | <u>\$ 25,933,630</u> | <u>\$ 26,802,975</u> | <u>\$ 23,389,393</u> | <u>\$ 23,421,906</u> | <u>\$ 25,543,997</u> | |
| \$ (9,190) | \$ 115,057 | \$ 466 | \$ (1,500,979) | \$ (272,029) | \$ 1,323,336 | |
| <u>(271,766)</u> | <u>(266,343)</u> | <u>(412,171)</u> | <u>(2,239,129)</u> | <u>(730,375)</u> | <u>238,653</u> | |
| <u>\$ (280,956)</u> | <u>\$ (151,286)</u> | <u>\$ (411,705)</u> | <u>\$ (3,740,107)</u> | <u>\$ (1,002,404)</u> | <u>\$ 1,561,989</u> | |

Michigan

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(In Thousands)

(Modified Accrual Basis of Accounting)

| | 2002 | 2003 | 2004 | 2005 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| General Fund | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - |
| Restricted | - - | - - | - - | - - |
| Committed | - - | - - | - - | - - |
| Assigned | - - | - - | - - | - - |
| Unassigned | - - | - - | - - | - - |
| Total general fund | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| All Other Governmental Funds | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - |
| Restricted | - - | - - | - - | - - |
| Committed | - - | - - | - - | - - |
| Assigned | - - | - - | - - | - - |
| Unassigned | - - | - - | - - | - - |
| Total all other governmental funds | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| General Fund | | | | |
| Reserved | \$ 1,662,579 | \$ 1,136,802 | \$ 1,169,819 | \$ 1,232,856 |
| Unreserved | 114,500 | 173,956 | - | 220,537 |
| Total general fund | <u><u>\$ 1,777,079</u></u> | <u><u>\$ 1,310,758</u></u> | <u><u>\$ 1,169,819</u></u> | <u><u>\$ 1,453,393</u></u> |
| All Other Governmental Funds | | | | |
| Reserved | \$ 1,441,759 | \$ 1,445,064 | \$ 1,665,549 | \$ 1,759,462 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 968,700 | 571,164 | 537,917 | 303,226 |
| Debt service funds | 406,903 | 369,313 | 365,841 | 194,586 |
| Capital projects funds | (158,776) | (436,623) | (451,060) | (349,643) |
| Permanent funds | 40,459 | 34,719 | 42,778 | 43,259 |
| Total all other governmental funds | <u><u>\$ 2,699,045</u></u> | <u><u>\$ 1,983,637</u></u> | <u><u>\$ 2,161,025</u></u> | <u><u>\$ 1,950,891</u></u> |
| Reconciliation of governmental fund balances | | | | |
| Beginning fund balances | \$ 5,835,924 | \$ 4,476,125 | \$ 3,294,395 | \$ 3,330,844 |
| Restatement of beginning fund balances | - | (255,500) | - | - |
| Beginning fund balances - restated | 5,835,924 | 4,220,625 | 3,294,395 | 3,330,844 |
| Excess of revenues and other sources over (exunder) expenditures and other uses | (1,359,800) | (926,230) | 36,449 | 73,440 |
| Change in accounting entity | - | - | - | - |
| Ending fund balances | <u><u>\$ 4,476,125</u></u> | <u><u>\$ 3,294,395</u></u> | <u><u>\$ 3,330,844</u></u> | <u><u>\$ 3,404,284</u></u> |

NOTE: Beginning in fiscal year 2011, the fund balance categories were reclassified as a result of implementing Governmental Accounting Standards Board Statement No. 54. Fund balance has not been restated for prior years.

Michigan

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 267,289 |
| - | - | - | - | - | 351,551 |
| - | - | - | - | - | 463,685 |
| - | - | - | - | - | 67,021 |
| - | - | - | - | - | 553,746 |
| \$ - | \$ 1,703,292 |
| \$ - | \$ 929,077 |
| - | - | - | - | - | 2,269,086 |
| - | - | - | - | - | 137,910 |
| - | - | - | - | - | (41,126) |
| \$ - | \$ 3,294,948 |
| \$ 1,066,757 | \$ 722,948 | \$ 833,104 | \$ 794,464 | \$ 828,553 | \$ - |
| 2,482 | 259,080 | 457,870 | 177,244 | 187,220 | - |
| \$ 1,069,240 | \$ 982,028 | \$ 1,290,974 | \$ 971,708 | \$ 1,015,773 | \$ - |
| \$ 1,657,248 | \$ 1,945,448 | \$ 1,968,781 | \$ 1,941,203 | \$ 2,048,256 | \$ - |
| 779,910 | 689,356 | 483,130 | 605,513 | 379,140 | - |
| 189,851 | 208,868 | 220,517 | 207,916 | 222,322 | - |
| (87,918) | (239,869) | (238,718) | (182,786) | (161,980) | - |
| 43,791 | 41,361 | 54,791 | 40,473 | 75,486 | - |
| \$ 2,582,883 | \$ 2,645,164 | \$ 2,488,501 | \$ 2,612,318 | \$ 2,563,224 | \$ - |
| \$ 3,404,284 | \$ 3,652,123 | \$ 3,627,192 | \$ 3,779,475 | \$ 3,584,026 | \$ 3,578,997 |
| 3,404,284 | 3,652,123 | 3,627,192 | 3,779,475 | 3,584,026 | 3,578,997 |
| 336,067 | 35,653 | 131,789 | (220,414) | (5,029) | 1,419,243 |
| (88,228) | (60,583) | 20,494 | 24,965 | - | - |
| \$ 3,652,123 | \$ 3,627,192 | \$ 3,779,475 | \$ 3,584,026 | \$ 3,578,997 | \$ 4,998,240 |

Michigan

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(In Thousands)

(Modified Accrual Basis of Accounting)

| | 2002 | 2003 | 2004 | 2005 |
|--|-------------------|-------------------|-------------------|-------------------|
| Revenues | | | | |
| Taxes | \$ 22,070,408 | \$ 22,425,957 | \$ 22,799,928 | \$ 23,936,964 |
| From federal agencies | 10,203,716 | 10,813,804 | 11,580,220 | 11,974,006 |
| From local agencies | 248,867 | 230,728 | 239,815 | 262,875 |
| From services | 121,849 | 121,198 | 148,140 | 264,956 |
| From licenses and permits | 408,746 | 417,786 | 555,858 | 423,501 |
| Special Medicaid reimbursements | 1,109,233 | 932,658 | 704,551 | 467,970 |
| Miscellaneous | 1,218,388 | 1,467,812 | 1,205,367 | 1,475,377 |
| Total revenues | <u>35,381,208</u> | <u>36,409,943</u> | <u>37,233,878</u> | <u>38,805,648</u> |
| Expenditures | | | | |
| General government | 1,544,055 | 1,209,916 | 1,117,659 | 1,307,448 |
| Education | 14,744,715 | 14,866,526 | 14,445,184 | 14,557,032 |
| Human services | 3,793,974 | 3,877,953 | 3,935,170 | 4,122,779 |
| Public safety and corrections | 2,136,506 | 2,115,448 | 2,121,584 | 2,287,452 |
| Conservation, environment, recreation, and agriculture | 650,353 | 591,218 | 586,096 | 614,939 |
| Labor, commerce, and regulatory | 891,817 | 891,644 | 902,903 | 924,876 |
| Health services | 8,891,480 | 9,270,484 | 9,676,268 | 10,126,544 |
| Transportation | 2,118,452 | 2,080,361 | 2,212,371 | 2,167,888 |
| Tax credits | 615,100 | 707,800 | 702,700 | 815,300 |
| Capital outlay | 1,465,800 | 1,164,002 | 1,100,106 | 1,274,247 |
| Intergovernmental - revenue sharing | 1,517,303 | 1,451,374 | 1,305,146 | 1,112,931 |
| Debt service: | | | | |
| Bond principal retirement | 226,801 | 222,477 | 729,557 | 354,711 |
| Bond interest and fiscal charges | 225,678 | 239,054 | 241,194 | 276,216 |
| Capital lease payments | 51,387 | 67,723 | 50,840 | 49,530 |
| Total expenditures | <u>38,873,422</u> | <u>38,755,981</u> | <u>39,126,778</u> | <u>39,991,894</u> |
| Excess of revenues over (under) expenditures | (3,492,214) | (2,346,038) | (1,892,901) | (1,186,245) |
| Other Financing Sources (Uses) | | | | |
| Bonds and notes issued | 987,850 | 568,616 | 520,676 | 365,164 |
| Refunding bonds issued | 488,145 | 692,694 | 660,249 | 1,528,539 |
| Premium on bond issuance | 64,238 | 87,561 | 55,940 | 97,857 |
| Discount on bond issuance | - | - | - | - |
| Payment to refunded bond escrow agent | (527,303) | (851,235) | (247,256) | (1,609,886) |
| Extinguishment of commercial paper | (51,890) | - | - | - |
| Capital lease acquisitions | 237,272 | 16,052 | 19,661 | 6,778 |
| Proceeds from sale of capital assets | - | - | 17,236 | 10,643 |
| Transfers from other funds | 4,132,997 | 3,433,535 | 3,294,939 | 2,924,083 |
| Transfers from component units | - | - | - | - |
| Transfers to other funds | (3,198,895) | (2,527,415) | (2,392,095) | (2,063,492) |
| Transfers to component units | - | - | - | - |
| Total other financing sources (uses) | <u>2,132,415</u> | <u>1,419,808</u> | <u>1,929,350</u> | <u>1,259,686</u> |
| Net change in fund balances | \$ (1,359,800) | \$ (926,230) | \$ 36,449 | \$ 73,440 |
| Debt service as a percentage of noncapital expenditures | 1% | 1% | 3% | 2% |

Michigan

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------------|--------------------|-------------------|---------------------|-------------------|---------------------|
| \$ 24,198,924 | \$ 24,370,884 | \$ 26,075,135 | \$ 23,348,354 | \$ 23,174,824 | \$ 24,691,957 |
| 12,160,022 | 12,655,930 | 13,432,638 | 17,377,416 | 19,832,846 | 20,401,399 |
| 124,101 | 139,429 | 126,550 | 118,190 | 106,172 | 102,979 |
| 269,593 | 284,370 | 291,380 | 288,877 | 300,992 | 321,799 |
| 437,560 | 444,841 | 441,407 | 454,981 | 458,303 | 464,756 |
| 93,621 | 102,670 | 115,797 | 135,667 | 123,205 | 155,059 |
| 1,948,214 | 2,271,059 | 1,667,798 | 1,524,220 | 1,575,643 | 1,523,221 |
| <u>39,232,034</u> | <u>40,269,182</u> | <u>42,150,705</u> | <u>43,247,704</u> | <u>45,571,986</u> | <u>47,661,170</u> |
| | | | | | |
| 1,631,483 | 1,590,733 | 1,553,671 | 1,587,314 | 1,464,412 | 1,857,989 |
| 14,758,992 | 14,664,715 | 15,094,266 | 15,249,946 | 15,051,983 | 15,297,255 |
| 4,341,774 | 4,447,992 | 4,609,481 | 5,334,263 | 6,042,987 | 6,346,672 |
| 2,455,145 | 2,467,512 | 2,617,048 | 2,591,858 | 2,573,093 | 2,549,993 |
| | | | | | |
| 642,815 | 568,398 | 597,267 | 557,602 | 546,510 | 516,098 |
| 952,921 | 957,023 | 966,091 | 1,145,954 | 1,223,197 | 1,143,962 |
| 9,958,104 | 10,741,285 | 11,588,207 | 12,450,287 | 13,218,598 | 13,905,003 |
| 2,082,847 | 2,178,923 | 2,338,907 | 2,195,721 | 2,279,890 | 2,069,572 |
| 834,000 | 883,400 | 931,600 | 963,500 | 1,351,500 | 1,271,900 |
| 1,462,405 | 1,376,891 | 1,234,427 | 1,279,372 | 1,322,304 | 1,169,458 |
| 1,103,625 | 1,071,104 | 1,076,445 | 1,040,031 | 994,196 | 1,091,527 |
| | | | | | |
| 773,826 | 238,789 | 228,261 | 215,380 | 247,532 | 231,577 |
| 294,093 | 295,878 | 285,333 | 341,194 | 316,163 | 311,955 |
| 49,183 | 46,074 | 50,176 | 50,107 | 50,982 | 56,146 |
| <u>41,341,213</u> | <u>41,528,716</u> | <u>43,171,179</u> | <u>45,002,530</u> | <u>46,683,346</u> | <u>47,819,108</u> |
| | | | | | |
| (2,109,179) | (1,259,534) | (1,020,474) | (1,754,825) | (1,111,361) | (157,938) |
| | | | | | |
| 963,105 | 485,115 | 121,500 | 601,500 | 177,480 | 474,278 |
| 1,494,050 | - | 208,780 | 775,640 | 142,190 | 543,367 |
| 46,234 | 18,662 | 16,811 | 10,748 | 10,569 | 12,216 |
| (496,444) | - | - | (4,263) | - | (150) |
| (563,776) | (240,280) | (223,319) | (777,179) | (150,488) | (549,296) |
| | | | | | |
| 34,059 | 20,906 | 110,838 | 41,205 | 39,101 | 172,111 |
| 13,974 | 5,347 | 30,505 | 3,027 | 1,895 | 1,797 |
| 2,736,772 | 2,826,854 | 2,697,131 | 2,603,766 | 2,834,719 | 2,616,900 |
| | | | | | |
| (1,870,956) | (1,882,002) | (1,789,489) | (1,695,068) | (1,949,134) | (1,694,043) |
| | | | | | |
| <u>2,357,018</u> | <u>1,234,604</u> | <u>1,172,757</u> | <u>1,559,376</u> | <u>1,106,331</u> | <u>1,577,181</u> |
| | | | | | |
| <u>\$ 247,839</u> | <u>\$ (24,930)</u> | <u>\$ 152,283</u> | <u>\$ (195,449)</u> | <u>\$ (5,029)</u> | <u>\$ 1,419,243</u> |

3%

1%

1%

1%

1%

1%

Michigan

PERSONAL INCOME BY INDUSTRY

LAST TEN FISCAL YEARS

(In Millions)

| | <u>2001</u> | <u>2002</u> | <u>2003</u> |
|---|-------------------|-------------------|-------------------|
| Farm earnings | \$ 582 | \$ 549 | \$ 704 |
| Forestry, fishing, and related activities | 306 | 282 | 276 |
| Mining | 743 | 611 | 654 |
| Utilities | 1,941 | 2,046 | 2,193 |
| Construction | 14,999 | 14,890 | 14,719 |
| Manufacturing | 53,301 | 51,156 | 56,423 |
| Wholesale trade | 11,515 | 11,296 | 11,571 |
| Retail trade | 15,247 | 15,660 | 15,985 |
| Transportation and warehousing | 6,924 | 6,682 | 6,772 |
| Information | 4,350 | 4,458 | 4,569 |
| Finance and insurance | 10,213 | 10,901 | 11,524 |
| Real estate and rental and leasing | 6,570 | 6,834 | 5,785 |
| Professional, scientific, and technical services | 22,499 | 22,569 | 22,062 |
| Management of companies and enterprises | 6,694 | 6,349 | 6,684 |
| Administrative and waste services | 9,194 | 9,387 | 9,902 |
| Educational services | 1,550 | 1,720 | 1,906 |
| Health care and social assistance | 19,837 | 21,514 | 22,761 |
| Arts, entertainment, and recreation | 1,927 | 2,130 | 2,163 |
| Accommodation and food services | 5,248 | 5,470 | 5,624 |
| Other services, except public administration | 7,889 | 8,250 | 8,494 |
| Government and government enterprises | 30,685 | 32,137 | 33,338 |
| Total earnings by place of work | <u>232,212</u> | <u>234,891</u> | <u>244,108</u> |
| Total earnings by place of work | 232,212 | 234,891 | 244,108 |
| less: Contributions for government social insurance | 26,906 | 27,047 | 27,479 |
| plus: Adjustment for residence | 1,144 | 1,192 | 1,251 |
| Net earnings by place of residence | <u>206,449</u> | <u>209,036</u> | <u>217,880</u> |
| Net earnings by place of residence | 206,449 | 209,036 | 217,880 |
| plus: Dividends, interest, and rent | 49,722 | 47,523 | 46,542 |
| plus: Personal current transfer receipts | <u>42,023</u> | <u>44,937</u> | <u>46,268</u> |
| Total Personal Income | <u>\$ 298,194</u> | <u>\$ 301,496</u> | <u>\$ 310,689</u> |
| Statutory Tax Rate (blended rate) | 4.20% | 4.13% | 4.03% |

NOTES: Earnings presented are blended averages. Due to the use of averages and blended amounts, the totals may not equal the sum of the industry amounts presented.

Earnings includes wages and salaries, supplements to wages and proprietors' income.

Industries categorized using the North American Industry Classification System.

Fiscal year 2010 is the most recent year for which data is available.

SOURCES: U.S. Bureau of Economic Analysis, U.S. Department of Commerce.

Office of Revenue and Tax Analysis, Michigan Department of Treasury.

Michigan

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------|
| \$ | 1,030 | \$ 1,109 | \$ 1,076 | \$ 1,162 | \$ 1,755 | \$ 1,379 | \$ 1,558 |
| 307 | 282 | 339 | 323 | 305 | 312 | 557 | 312 |
| 736 | 792 | 900 | 852 | 1,089 | 681 | 2,717 | 2,689 |
| 2,156 | 2,253 | 2,473 | 2,618 | 2,745 | 10,759 | 10,142 | |
| 15,186 | 15,605 | 15,567 | 14,534 | 12,890 | 38,209 | 37,970 | |
| 54,367 | 50,205 | 49,582 | 48,442 | 46,182 | 12,364 | 12,136 | |
| 11,898 | 12,386 | 12,661 | 13,115 | 13,400 | 15,190 | 15,225 | |
| 16,222 | 16,264 | 16,056 | 16,150 | 15,838 | 11,568 | 11,622 | |
| 7,115 | 7,397 | 7,291 | 7,453 | 7,269 | 6,737 | 6,796 | |
| 4,745 | 4,679 | 4,644 | 4,739 | 4,652 | 4,354 | 4,197 | |
| 11,649 | 12,156 | 12,676 | 12,878 | 12,047 | 2,667 | 2,649 | |
| 5,987 | 6,415 | 5,757 | 4,638 | 3,100 | 2,299 | 2,117 | |
| 22,596 | 23,479 | 24,275 | 25,149 | 25,999 | 23,090 | 22,599 | |
| 7,190 | 7,282 | 6,827 | 6,939 | 6,791 | 6,020 | 5,947 | |
| 10,365 | 11,382 | 11,669 | 11,397 | 11,344 | 10,286 | 10,608 | |
| 2,194 | 2,280 | 2,403 | 2,540 | 2,669 | 2,731 | 2,778 | |
| 24,104 | 25,426 | 26,832 | 28,050 | 29,680 | 30,482 | 30,844 | |
| 2,299 | 2,245 | 2,374 | 2,262 | 2,299 | 2,117 | 2,124 | |
| 5,931 | 6,028 | 6,005 | 6,491 | 6,522 | 6,143 | 6,425 | |
| 8,656 | 8,930 | 9,030 | 9,114 | 8,797 | 8,614 | 8,739 | |
| 34,805 | 36,719 | 37,220 | 38,081 | 39,045 | 40,180 | 40,844 | |
| <u>249,534</u> | <u>253,313</u> | <u>255,652</u> | <u>256,921</u> | <u>254,414</u> | <u>236,597</u> | <u>236,757</u> | |
| 249,534 | 253,313 | 255,652 | 256,921 | 254,414 | 236,597 | 236,757 | |
| 28,302 | 29,237 | 30,013 | 30,628 | 30,807 | 29,228 | 29,022 | |
| 1,337 | 1,422 | 1,517 | 1,587 | 1,562 | 1,386 | 1,379 | |
| <u>222,569</u> | <u>225,498</u> | <u>227,156</u> | <u>227,881</u> | <u>225,169</u> | <u>208,755</u> | <u>209,114</u> | |
| 222,569 | 225,498 | 227,156 | 227,881 | 225,169 | 208,755 | 209,114 | |
| 47,316 | 47,681 | 50,644 | 54,575 | 60,189 | 52,067 | 49,313 | |
| 48,784 | 51,397 | 54,898 | 59,546 | 65,422 | 74,670 | 80,001 | |
| <u>\$ 318,669</u> | <u>\$ 324,576</u> | <u>\$ 332,698</u> | <u>\$ 342,003</u> | <u>\$ 350,779</u> | <u>\$ 335,492</u> | <u>\$ 338,427</u> | |
| 3.98% | 3.90% | 3.90% | 3.90% | 4.35% | 4.35% | 4.35% | |

Michigan

TAXABLE SALES BY INDUSTRY

LAST TEN FISCAL YEARS

(In Millions)

| | 2001 | 2002 | 2003 | 2004 |
|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Farming | \$ 78.9 | \$ 80.8 | \$ 77.8 | \$ 77.2 |
| Agricultural | 269.7 | 243.3 | 275.3 | 275.3 |
| Mining | 183.9 | 173.8 | 174.6 | 159.9 |
| Construction | 795.9 | 778.8 | 741.5 | 768.8 |
| Manufacturing | 3,783.1 | 3,486.9 | 3,225.4 | 3,315.5 |
| Transportation and utilities | 8,734.9 | 8,632.8 | 9,030.7 | 9,369.3 |
| Wholesale trade | 3,231.4 | 2,970.7 | 3,121.5 | 3,127.9 |
| Retail trade | 80,297.7 | 82,580.9 | 82,417.6 | 83,135.4 |
| Finance, insurance, and real estate | 929.0 | 718.1 | 622.2 | 472.3 |
| Services | 8,179.2 | 8,276.9 | 8,077.5 | 7,686.8 |
| State and local government | 172.4 | 155.6 | 150.9 | 162.0 |
| Other classifications | <u>675.8</u> | <u>707.6</u> | <u>614.2</u> | <u>951.9</u> |
| Total | <u><u>\$ 107,331.8</u></u> | <u><u>\$ 108,806.2</u></u> | <u><u>\$ 108,529.3</u></u> | <u><u>\$ 109,502.2</u></u> |
| Direct Sales Tax Rate | 6% | 6% | 6% | 6% |

NOTES: Taxable sales were imputed from fiscal year sales tax cash collections by industry.

Industries categorized by using the Standard Industrial Classification.

Fiscal year 2010 is the most recent year for which data is available.

SOURCE: Michigan Department of Treasury.

Michigan

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 78.9 | \$ 78.5 | \$ 73.6 | \$ 70.4 | \$ 57.1 | \$ 56.1 |
| 277.5 | 270.7 | 250.3 | 240.4 | 226.6 | 211.8 |
| 181.0 | 192.5 | 183.4 | 180.2 | 118.8 | 116.2 |
| 788.3 | 782.3 | 706.4 | 695.9 | 565.0 | 497.3 |
| 3,577.2 | 3,424.2 | 3,283.3 | 3,331.8 | 2,608.5 | 2,645.7 |
| 10,359.4 | 11,715.5 | 12,091.0 | 12,650.3 | 12,708.7 | 12,041.1 |
| 3,270.5 | 3,400.5 | 2,881.0 | 3,031.4 | 2,516.5 | 2,426.9 |
| 84,719.4 | 83,382.5 | 83,464.8 | 86,572.7 | 78,680.5 | 80,195.7 |
| 460.8 | 435.6 | 333.3 | 323.9 | 356.8 | 193.0 |
| 7,121.3 | 6,215.0 | 6,483.1 | 6,426.7 | 5,696.8 | 5,405.8 |
| 184.3 | 197.7 | 202.6 | 166.7 | 154.6 | 240.0 |
| 1,021.3 | 806.4 | 1,091.1 | 943.9 | 1,802.9 | 1,007.5 |
| \$ 112,040.0 | \$ 110,901.4 | \$ 111,043.7 | \$ 114,634.3 | \$ 105,492.7 | \$ 105,036.9 |
| 6% | 6% | 6% | 6% | 6% | 6% |

Michigan

PERSONAL INCOME TAX FILERS AND LIABILITY BY INCOME LEVEL TAX YEARS 2000 AND 2009

| Adjusted Gross Income (AGI) Group | Tax Year 2000 | | | | Tax Year 2009 | | | |
|-----------------------------------|------------------|---------------------|-----------------------------------|---------------------|------------------|---------------------|-----------------------------------|---------------------|
| | Number of Filers | Percentage of Total | Personal Income Tax (In Millions) | Percentage of Total | Number of Filers | Percentage of Total | Personal Income Tax (In Millions) | Percentage of Total |
| \$50,000 and under | 3,040,863 | 67.4% | \$ 1,076 | 17.0% | 2,911,905 | 66.2% | \$ (3) | (-0.1%) |
| \$50,001 - \$100,000 | 1,042,344 | 23.1% | 2,273 | 35.8% | 984,515 | 22.4% | 1,887 | 38.5% |
| \$100,001 and higher | 428,354 | 9.5% | 2,997 | 47.2% | 499,559 | 11.4% | 3,016 | 61.6% |
| Total | 4,511,561 | 100.0% | \$ 6,346 | 100.0% | 4,395,979 | 100.0% | \$ 4,899 | 100.0% |

NOTES: Due to confidentiality issues, the names of the ten largest revenue payers are not available. These categories are intended to provide alternative information regarding the sources of the State's personal income tax revenue.

Tax year 2009 is the most recent year for which data is available.

Tax year 2000 personal income tax amount refers to tax amounts net of nonrefundable credits, and net of Home Heating Credits (HHC) and Homestead Property Tax Credits (HPTC).

Tax year 2009 personal income tax amount refers to tax amount net of nonrefundable credits, and net of HHC, HPTC, Michigan Earned Income Tax, Farmland Preservation, Adoption and Stillbirth credits.

SOURCE: Michigan Department of Treasury.

Michigan

SALES TAX PAYERS BY INDUSTRY

FISCAL YEARS 2001 AND 2010

| | 2001 | | | | 2010 | | | |
|-------------------------------------|-----------------------|-----------------------|-----------------------------|-----------------------|----------------------|-----------------------|-----------------------------|-----------------------|
| | Number of Filers | Percentage of Total | Tax Liability (In Millions) | Percentage of Total | Number of Filers | Percentage of Total | Tax Liability (In Millions) | Percentage of Total |
| Farming | 592 | 0.53% | \$ 4.6 | 0.07% | 598 | 0.65% | \$ 3.4 | 0.05% |
| Agricultural | 1,675 | 1.51% | 16.1 | 0.25% | 1,321 | 1.44% | 12.7 | 0.21% |
| Mining | 285 | 0.26% | 11.0 | 0.17% | 246 | 0.27% | 7.0 | 0.11% |
| Construction | 2,694 | 2.42% | 47.8 | 0.75% | 2,342 | 2.55% | 29.8 | 0.49% |
| Manufacturing | 6,819 | 6.13% | 227.0 | 3.58% | 6,387 | 6.94% | 158.7 | 2.58% |
| Transportation and utilities | 1,394 | 1.25% | 422.5 | 6.67% | 1,201 | 1.31% | 569.5 | 9.26% |
| Wholesale trade | 2,653 | 2.38% | 193.9 | 3.06% | 2,058 | 2.24% | 145.6 | 2.37% |
| Retail trade | 68,148 | 61.24% | 4,817.9 | 76.01% | 51,947 | 56.48% | 4,811.7 | 78.25% |
| Finance, insurance, and real estate | 437 | 0.39% | 55.7 | 0.88% | 446 | 0.48% | 11.6 | 0.19% |
| Services | 25,731 | 23.12% | 490.7 | 7.74% | 23,762 | 25.84% | 324.3 | 5.27% |
| State and local government | 314 | 0.28% | 10.3 | 0.16% | 296 | 0.32% | 14.4 | 0.23% |
| Other classifications | 537 | 0.48% | 40.8 | 0.64% | 1,369 | 1.49% | 60.4 | 0.98% |
| Total | <u><u>111,279</u></u> | <u><u>100.00%</u></u> | <u><u>\$ 6,338.4</u></u> | <u><u>100.00%</u></u> | <u><u>91,973</u></u> | <u><u>100.00%</u></u> | <u><u>\$ 6,149.2</u></u> | <u><u>100.00%</u></u> |

NOTES: Due to confidentiality issues, the names of the ten largest revenue payers are not available. These categories are intended to provide alternative information regarding the sources of the State's sales tax revenue.

Fiscal year 2010 is the most recent year for which data is available.

Industries categorized using the Standard Industrial Classification.

SOURCE: Michigan Department of Treasury.

Michigan

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(In Millions)

| FISCAL YEAR | GOVERNMENTAL ACTIVITIES | | | |
|-------------|--------------------------|--------------------------|----------------------|------------------------------|
| | GENERAL OBLIGATION BONDS | STATE PARK REVENUE BONDS | MUSTFA REVENUE BONDS | TRANSPORTATION REVENUE BONDS |
| 2002 | \$ 1,120 | \$ 16 | \$ 138 | \$ 1,173 |
| 2003 | 1,413 | 16 | 122 | 1,176 |
| 2004 | 1,528 | 15 | 105 | 1,323 |
| 2005 | 1,645 | 15 | - | 1,652 |
| 2006 | 1,794 | 14 | - | 1,889 |
| 2007 | 1,488 | 13 | - | 2,328 |
| 2008 | 1,487 | 13 | - | 2,257 |
| 2009 | 1,673 | 12 | - | 2,474 |
| 2010 | 1,680 | 12 | - | 2,369 |
| 2011 | 1,889 | 11 | - | 2,261 |

NOTES: Article 9, Section 15 of the State Constitution allows for long-term borrowing by the State for specific purposes in amounts as may be provided by acts of the Legislature adopted by a vote of two-thirds of the members in each house, and approved by a majority of the bodies people voting at a general election. The debts of public bodies corporate and politic created by law are not general obligation debts and liabilities of the State of Michigan. Details regarding the State's debt can be found in the bonds and notes payable note of the financial statements.

SOURCES: U.S. Census Bureau, Population Division.

Department of Technology, Management and Budget.

U.S. Department of Commerce, Bureau of Economic Analysis.

Department of Treasury.

Michigan

GOVERNMENTAL ACTIVITIES

| | STATE BUILDING AUTHORITY BONDS | CAPITAL LEASES | TOTAL PRIMARY GOVERNMENT | PERCENTAGE OF PERSONAL INCOME | PER CAPITA |
|----|---|-------------------|--------------------------------|-------------------------------------|---------------|
| \$ | 2,582 | \$ 461 | \$ 5,490 | 1.81% | \$ 548 |
| | 2,607 | 479 | 5,813 | 1.85% | 579 |
| | 2,545 | 423 | 5,939 | 1.86% | 591 |
| | 2,615 | 406 | 6,333 | 1.94% | 630 |
| | 3,449 | 252 | 7,398 | 2.21% | 737 |
| | 3,366 | 248 | 7,443 | 2.16% | 744 |
| | 3,375 | 320 | 7,452 | 2.12% | 789 |
| | 2,969 | 330 | 7,458 | 2.25% | 753 |
| | 3,008 | 345 | 7,414 | 2.16% | 751 |
| | 3,175 | 407 | 7,743 | Unavailable | Unavailable |



Michigan

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

(In Millions)

| FISCAL YEAR | GENERAL OBLIGATION BONDS | LESS DEBT SERVICE FUNDS | NET BONDED GENERAL OBLIGATION BONDS | PERCENTAGE OF PERSONAL INCOME | PER CAPITA |
|-------------|--------------------------|-------------------------|-------------------------------------|-------------------------------|-------------|
| 2002 | \$ 1,120 | \$ - | \$ 1,120 | 0.37% | \$ 112 |
| 2003 | 1,413 | 1 | 1,412 | 0.45% | 141 |
| 2004 | 1,528 | 1 | 1,526 | 0.48% | 152 |
| 2005 | 1,645 | 1 | 1,644 | 0.50% | 164 |
| 2006 | 1,794 | 1 | 1,793 | 0.54% | 179 |
| 2007 | 1,487 | 1 | 1,486 | 0.43% | 149 |
| 2008 | 1,487 | 1 | 1,486 | 0.42% | 149 |
| 2009 | 1,673 | 1 | 1,672 | 0.50% | 169 |
| 2010 | 1,680 | 1 | 1,678 | 0.49% | 170 |
| 2011 | 1,889 | 1 | 1,888 | Unavailable | Unavailable |

SOURCES: U.S. Census Bureau, Population Division.

Department of Technology, Management and Budget.

U.S. Department of Commerce, Bureau of Economic Analysis.

Department of Treasury.

Michigan

DEBT SERVICE COVERAGE
COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS
LAST TEN FISCAL YEARS
(In Millions)

| | 2002 | 2003 | 2004 | 2005 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Constitutionally Restricted Transportation Fund Revenues: | | | | |
| Motor Fuel Taxes | \$ 1,082.8 | \$ 1,093.2 | \$ 1,073.3 | \$ 1,069.1 |
| Registration Taxes | 827.3 | 844.7 | 933.8 | 863.4 |
| Miscellaneous Fees | 58.0 | 56.7 | 51.4 | 37.3 |
| Total | <u>1,968.1</u> | <u>1,994.5</u> | <u>2,058.4</u> | <u>1,969.8</u> |
| Less Deductions | 173.4 | 176.8 | 110.9 | 125.4 |
| Remaining Balance | <u>1,794.7</u> | <u>1,817.8</u> | <u>1,947.6</u> | <u>1,844.4</u> |
| Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest) | <u>160.5</u> | <u>162.3</u> | <u>166.4</u> | <u>167.3</u> |
| Motor Vehicle Related Sales Tax Revenues Allocation to Comprehensive Transportation Fund | \$ 1,130.0 <u>78.8</u> | \$ 1,708.4 <u>79.4</u> | \$ 1,082.7 <u>65.0</u> | \$ 1,115.4 <u>56.9</u> |
| Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund | \$ 239.3 | \$ 241.8 | \$ 231.3 | \$ 224.3 |
| Plus Other Revenues (primarily interest) | 0.9 | 1.4 | 3.6 | 5.0 |
| Money Available for Debt Service | <u>\$ 240.3</u> | <u>\$ 243.2</u> | <u>\$ 234.9</u> | <u>\$ 229.3</u> |
| Debt Service: | | | | |
| Principal | \$ 11.1 | \$ 11.7 | \$ 16.3 | \$ 15.6 |
| Interest | 10.2 | 12.0 | 14.0 | 13.4 |
| Actual Annual Debt Service (1) | <u>21.4</u> | <u>23.6</u> | <u>30.3</u> | <u>28.9</u> |
| Debt Service Coverage | 11.3 x | 10.3 x | 7.8 x | 7.9 x |

NOTE: (1) The table above does not include debt service on refunded bonds.

SOURCE: Michigan Department of Transportation.

Michigan

| <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 1,055.3 | \$ 1,027.8 | \$ 989.3 | \$ 964.0 | \$ 962.1 | \$ 957.7 |
| 867.7 | 871.7 | 855.0 | 839.7 | 842.1 | 859.7 |
| 36.0 | 35.7 | 36.2 | 33.0 | 33.8 | 34.2 |
| <u>1,959.0</u> | <u>1,935.3</u> | <u>1,880.6</u> | <u>1,836.7</u> | <u>1,837.9</u> | <u>1,851.5</u> |
| 149.5 | 137.9 | 138.3 | 137.2 | 138.1 | 137.4 |
| <u>1,809.5</u> | <u>1,797.4</u> | <u>1,742.3</u> | <u>1,699.5</u> | <u>1,699.9</u> | <u>1,714.1</u> |
| <u>165.4</u> | <u>164.7</u> | <u>159.9</u> | <u>155.3</u> | <u>155.2</u> | <u>156.7</u> |
| | | | | | |
| \$ 1,111.2 | \$ 1,117.5 | \$ 1,249.0 | \$ 1,188.3 | \$ 1,182.5 | \$ 1,290.7 |
| <u>66.4</u> | <u>67.7</u> | <u>82.1</u> | <u>82.9</u> | <u>76.8</u> | <u>90.0</u> |
| | | | | | |
| \$ 231.8 | \$ 232.4 | \$ 242.0 | \$ 238.2 | \$ 232.0 | \$ 246.7 |
| 0.5 | 5.9 | 1.4 | 0.9 | 1.2 | 1.0 |
| <u>\$ 232.3</u> | <u>\$ 238.3</u> | <u>\$ 243.5</u> | <u>\$ 239.1</u> | <u>\$ 233.2</u> | <u>\$ 247.8</u> |
| | | | | | |
| \$ 19.1 | \$ 20.2 | \$ 21.3 | \$ 7.5 | \$ 10.1 | \$ 10.2 |
| 12.0 | 12.9 | 12.0 | 10.4 | 10.5 | 10.0 |
| <u>31.1</u> | <u>33.2</u> | <u>33.3</u> | <u>17.9</u> | <u>20.6</u> | <u>20.1</u> |
| | | | | | |
| 7.5 x | 7.2 x | 7.3 x | 13.3 x | 11.3 x | 12.3 x |

Michigan

DEBT SERVICE COVERAGE
STATE TRUNKLINE FUND RELATED BONDS
LAST TEN FISCAL YEARS
(In Millions)

| | 2002 | 2003 | 2004 | 2005 |
|---|------------|------------|------------|------------|
| Constitutionally Restricted Transportation Fund Revenues: | | | | |
| Motor Fuel Taxes | \$ 1,082.8 | \$ 1,093.2 | \$ 1,073.3 | \$ 1,069.1 |
| Registration Taxes | 827.3 | 844.7 | 933.8 | 863.4 |
| Miscellaneous Fees | 58.0 | 56.7 | 51.4 | 37.3 |
| Total | 1,968.1 | 1,994.5 | 2,058.4 | 1,969.8 |
| Less Deductions: | | | | |
| Critical Bridge Debt Service | 2.4 | 2.2 | 2.2 | 2.2 |
| Legally Dedicated State Trunkline Fund Debt Service | 43.0 | 43.0 | 43.0 | 43.0 |
| Collection Costs | 109.4 | 113.1 | 42.2 | 44.5 |
| Waterways/Recreational Improvement Fund | 18.7 | 18.5 | 18.4 | 18.4 |
| Comprehensive Transportation Fund (excluding interest) | 160.5 | 162.3 | 166.4 | 167.3 |
| Local Program Fund | 33.0 | 33.0 | 33.0 | 33.0 |
| Critical Bridge Fund | 5.0 | 5.0 | 5.0 | 17.2 |
| Economic Development Fund | 40.3 | 40.3 | 40.3 | 40.3 |
| Total Deductions | 412.2 | 417.4 | 350.5 | 366.0 |
| Constitutionally Restricted Revenues | | | | |
| Available for Distribution | 1,555.9 | 1,577.2 | 1,707.9 | 1,603.8 |
| Plus Other Revenues (primarily interest) | 6.1 | 5.9 | 6.2 | 7.0 |
| Total Money Available for Distribution | 1,562.0 | 1,583.1 | 1,714.1 | 1,610.8 |
| Distributions to: | | | | |
| Cities and Villages | 332.3 | 341.6 | 366.9 | 348.7 |
| County Road Commissions | 588.6 | 594.7 | 642.5 | 611.6 |
| State Trunkline Fund | 641.1 | 646.7 | 704.8 | 650.5 |
| Money Available for Debt Service: | | | | |
| State Trunkline Fund | 641.1 | 646.7 | 704.8 | 650.5 |
| Legally Dedicated State Trunkline Fund Debt Service | 43.0 | 43.0 | 43.0 | 43.0 |
| Economic Development Fund | 40.3 | 40.3 | 40.3 | 40.3 |
| Local Program Fund | 33.0 | 33.0 | 33.0 | 33.0 |
| Critical Bridge Fund | 2.4 | 2.2 | 2.2 | 2.2 |
| Miscellaneous (1) | - | - | - | - |
| Total Available for Debt Service | 759.7 | 765.1 | 823.2 | 769.0 |
| Debt Service: | | | | |
| Principal | \$ 19.7 | \$ 26.2 | \$ 23.9 | \$ 25.0 |
| Interest | 39.7 | 39.5 | 43.9 | 49.5 |
| Actual Annual Debt Service (2) | 59.4 | 65.7 | 67.8 | 74.5 |
| Debt Service Coverage | 12.8 x | 11.6 x | 12.1 x | 10.3 x |

NOTES:

(1) Beginning fiscal year 2008, miscellaneous revenues were available for debt service.

(2) The table above excludes amounts related to refunded bonds and federally funded debt.

SOURCE: Michigan Department of Transportation.

Michigan

| <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 1,055.3 | \$ 1,027.8 | \$ 989.3 | \$ 964.0 | \$ 962.1 | \$ 957.7 |
| 867.7 | 871.7 | 855.0 | 839.7 | 842.1 | 859.7 |
| 36.0 | 35.7 | 36.2 | 33.0 | 33.8 | 34.2 |
| <hr/> 1,959.0 | <hr/> 1,935.3 | <hr/> 1,880.6 | <hr/> 1,836.7 | <hr/> 1,838.0 | <hr/> 1,851.5 |
| 2.5 | 2.8 | 2.8 | 2.8 | 3.3 | 3.3 |
| 43.0 | 43.0 | 43.0 | 43.0 | 43.0 | 43.0 |
| 57.1 | 46.2 | 48.1 | 47.8 | 47.9 | 47.8 |
| 18.0 | 17.6 | 16.9 | 16.6 | 16.7 | 16.5 |
| 165.4 | 164.7 | 159.9 | 155.3 | 155.2 | 156.7 |
| 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 |
| 28.9 | 28.3 | 27.5 | 27.0 | 27.2 | 26.9 |
| 40.3 | 40.3 | 40.3 | 40.3 | 40.3 | 40.3 |
| <hr/> 388.2 | <hr/> 375.9 | <hr/> 371.5 | <hr/> 365.7 | <hr/> 366.6 | <hr/> 367.4 |
| 1,570.8 | 1,559.4 | 1,509.1 | 1,471.0 | 1,471.4 | 1,484.1 |
| 8.9 | 8.2 | 9.0 | 2.3 | 2.2 | 0.6 |
| <hr/> 1,579.7 | <hr/> 1,567.5 | <hr/> 1,518.0 | <hr/> 1,473.3 | <hr/> 1,473.6 | <hr/> 1,484.7 |
| 344.8 | 342.8 | 332.1 | 322.4 | 322.4 | 324.6 |
| 603.3 | 599.7 | 580.9 | 563.7 | 563.8 | 568.4 |
| 631.5 | 625.0 | 605.0 | 587.2 | 587.4 | 591.7 |
| 631.5 | 625.0 | 605.0 | 587.2 | 587.4 | 591.7 |
| 43.0 | 43.0 | 43.0 | 43.0 | 43.0 | 43.0 |
| 40.3 | 40.3 | 40.3 | 40.3 | 40.3 | 40.3 |
| 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 |
| 2.5 | 2.8 | 2.8 | 2.8 | 3.3 | 3.3 |
| - | - | 40.5 | 27.1 | 36.4 | 39.5 |
| <hr/> 750.3 | <hr/> 744.1 | <hr/> 764.6 | <hr/> 733.3 | <hr/> 743.4 | <hr/> 750.7 |
| \$ 19.9 | \$ 20.0 | \$ 43.5 | \$ 45.6 | \$ 79.2 | \$ 82.6 |
| 74.7 | 84.8 | 91.5 | 90.1 | 80.9 | 77.5 |
| <hr/> 94.6 | <hr/> 104.8 | <hr/> 135.0 | <hr/> 135.7 | <hr/> 160.1 | <hr/> 160.1 |
| 7.9 x | 7.1 x | 5.7 x | 5.4 x | 4.6 x | 4.7 x |

Michigan

DEBT SERVICE COVERAGE
STATE BUILDING AUTHORITY
LAST TEN FISCAL YEARS
(In Millions)

| | 2002 | 2003 | 2004 | 2005 |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Revenue - Lease and Rental Payments | \$ 266.0 | \$ 287.5 | \$ 239.9 | \$ 246.9 |
| Less: Operating Expenses | 0.8 | 6.4 | 4.2 | 3.2 |
| Net Available Revenue | <u>265.2</u> | <u>281.1</u> | <u>235.7</u> | <u>243.7</u> |
| Debt Service: | | | | |
| Principal | 115.1 | 141.7 | 84.7 | 119.9 |
| Interest | 106.7 | 119.6 | 109.5 | 128.7 |
| Actual Annual Debt Service (1) | <u>221.8</u> | <u>261.3</u> | <u>194.2</u> | <u>248.6</u> |
| Debt Service Coverage | 1.2 x | 1.1 x | 1.2 x | 1.0 x |

NOTE:

(1) The table above excludes amounts related to refunded bonds.

Michigan

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 255.5 | \$ 213.2 | \$ 219.4 | \$ 230.4 | \$ 230.1 | \$ 233.1 |
| 9.9 | 0.8 | 0.8 | 1.1 | 1.6 | 1.4 |
| <u>245.6</u> | <u>212.4</u> | <u>218.6</u> | <u>229.3</u> | <u>228.5</u> | <u>231.7</u> |
| 82.1 | 83.6 | 87.1 | 100.5 | 96.1 | 128.9 |
| 140.8 | 117.5 | 123.4 | 122.2 | 120.0 | 122.5 |
| <u>222.9</u> | <u>201.1</u> | <u>210.5</u> | <u>222.7</u> | <u>216.1</u> | <u>251.4</u> |
| 1.1 x | 1.1 x | 1.0 x | 1.0 x | 1.1 x | 0.9 x |

Michigan

DEMOGRAPHIC AND ECONOMIC INDICATORS

LAST TEN CALENDAR YEARS

| | 2001 | 2002 | 2003 | 2004 |
|--|----------------|----------------|----------------|----------------|
| Population (a) (in thousands) | | | | |
| Michigan | 9,991 | 10,016 | 10,041 | 10,055 |
| United States | 284,969 | 287,625 | 290,108 | 292,805 |
| Total Personal Income (b) (in billions) | | | | |
| Michigan | \$ 300.0 | \$ 303.1 | \$ 314.3 | \$ 319.4 |
| United States | \$ 8,878.8 | \$ 9,054.7 | \$ 9,369.1 | \$ 9,928.8 |
| Per Capita Income (b) | | | | |
| Michigan | \$ 30,024 | \$ 30,262 | \$ 31,300 | \$ 31,768 |
| United States | \$ 31,157 | \$ 31,481 | \$ 32,295 | \$ 33,909 |
| Unemployment Rate (c) | | | | |
| Michigan | 5.2% | 6.2% | 7.1% | 7.1% |
| United States | 4.7% | 5.8% | 6.0% | 5.5% |
| Michigan estimated wage and salary employees (c) (in thousands) | | | | |
| Goods Producing: | | | | |
| Mining and Logging | 9.3 | 8.6 | 8.1 | 8.2 |
| Construction | 206.3 | 199.8 | 190.9 | 191.8 |
| Manufacturing | 821.8 | 762.2 | 718.4 | 699.4 |
| Total Goods Producing | <u>1,037.4</u> | <u>970.6</u> | <u>917.4</u> | <u>899.3</u> |
| Service-Providing: | | | | |
| Private Service-Providing | | | | |
| Trade, Transportation, and Utilities: | | | | |
| Wholesale Trade | 180.4 | 175.4 | 172.6 | 170.5 |
| Retail Trade | 548.8 | 530.7 | 518.7 | 513.6 |
| Transportation and Utilities | 132.0 | 128.2 | 125.8 | 125.7 |
| Information | 72.1 | 70.4 | 67.1 | 65.7 |
| Financial Activities: | | | | |
| Finance and Insurance | 153.4 | 157.7 | 160.7 | 159.6 |
| Real Estate and Rental and Leasing | 55.5 | 55.7 | 56.0 | 56.1 |
| Professional and Business Services: | | | | |
| Professional, Scientific, and Technical Services | 269.3 | 258.7 | 249.2 | 245.5 |
| Management of Companies and Enterprises | 73.7 | 73.6 | 72.6 | 70.7 |
| Administrative, Support Services, and Waste Management | 267.0 | 267.0 | 266.4 | 270.1 |
| Educational and Health Services: | | | | |
| Educational Services | 61.2 | 63.1 | 66.4 | 70.6 |
| Health Care and Social Assistance | 456.7 | 472.0 | 480.5 | 490.3 |
| Leisure and Hospitality: | | | | |
| Accommodation and Food Services | 340.6 | 344.4 | 343.8 | 347.2 |
| Other | 53.7 | 53.5 | 54.3 | 54.8 |
| Other Services | <u>176.9</u> | <u>179.3</u> | <u>179.1</u> | <u>179.6</u> |
| Total Private Service-Providing | <u>2,841.3</u> | <u>2,829.7</u> | <u>2,813.1</u> | <u>2,820.0</u> |
| Government | <u>685.0</u> | <u>686.6</u> | <u>685.4</u> | <u>679.7</u> |
| Total Service-Providing | <u>3,526.3</u> | <u>3,516.3</u> | <u>3,498.5</u> | <u>3,499.7</u> |
| Total Wage and Salary Employment | <u>4,563.7</u> | <u>4,486.9</u> | <u>4,415.9</u> | <u>4,399.0</u> |

NOTES: Calendar year 2010 is the most recent year for which data is available.

Wage and Salary Employment based on North American Industry Classification System.

Components in Wage and Salary Employment may not total due to truncation.

SOURCES:

- (a) U.S. Census Bureau, Population Division.
- (b) U.S. Department of Commerce, Bureau of Economic Analysis.
- (c) Michigan Department of Licensing and Regulatory Affairs
and U.S. Department of Labor, Bureau of Labor Statistics.

Michigan

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| 10,051 295,517 | 10,036 298,380 | 10,001 301,231 | 9,947 304,094 | 9,902 306,772 | 9,878 309,350 |
| \$ 325.7 \$ 10,476.7 | \$ 334.9 \$ 11,256.5 | \$ 344.2 \$ 11,900.6 | \$ 350.9 \$ 12,451.6 | \$ 331.8 \$ 11,916.8 | \$ 342.7 \$ 12,357.1 |
| \$ 32,409 \$ 35,452 | \$ 33,365 \$ 37,725 | \$ 34,419 \$ 39,506 | \$ 35,282 \$ 40,947 | \$ 33,514 \$ 38,846 | \$ 34,691 \$ 39,945 |
| 6.8% 5.1% | 6.9% 4.6% | 7.1% 4.6% | 8.3% 5.8% | 13.3% 9.3% | 12.5% 9.6% |
| 8.4 189.5 678.7 876.6 | 8.0 178.4 649.5 836.0 | 7.7 166.7 618.8 793.1 | 7.9 153.5 573.6 734.9 | 6.9 127.6 464.8 599.3 | 7.0 121.7 474.4 603.2 |
| 170.7 506.0 128.3 64.9 | 170.6 496.0 128.4 63.9 | 169.0 489.7 128.3 62.9 | 167.8 478.1 124.5 60.2 | 153.0 451.4 112.9 56.3 | 150.9 445.1 112.9 54.9 |
| 159.9 56.1 | 158.9 54.9 | 156.2 53.3 | 149.9 52.0 | 142.6 48.8 | 138.7 48.0 |
| 247.7 67.9 | 246.2 64.9 | 246.2 60.0 | 243.9 56.9 | 220.9 51.1 | 221.5 50.7 |
| 277.5 | 275.1 | 274.5 | 262.8 | 229.5 | 242.2 |
| 74.8 501.0 | 76.1 507.2 | 78.7 518.0 | 80.5 526.9 | 80.9 530.1 | 83.0 534.0 |
| 349.1 55.4 179.6 | 351.0 54.6 177.5 | 350.1 55.5 176.6 | 344.0 54.3 175.6 | 329.1 50.9 168.8 | 326.2 47.8 166.6 |
| 2,839.1 | 2,825.3 | 2,819.0 | 2,777.2 | 2,626.2 | 2,622.5 |
| 674.1 3,513.1 | 665.3 3,490.6 | 655.7 3,474.7 | 650.0 3,427.3 | 646.8 3,273.0 | 635.8 3,258.2 |
| 4,389.7 | 4,326.5 | 4,267.8 | 4,162.2 | 3,872.3 | 3,861.4 |

Michigan

CLASSIFIED EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|--------------|--------------|--------------|--------------|
| General Government | 7,170 | 7,666 | 7,645 | 7,138 |
| Education | 393 | 298 | 324 | 352 |
| Human services | 12,554 | 10,303 | 10,104 | 9,953 |
| Public safety and corrections | 21,947 | 20,941 | 20,385 | 20,175 |
| Conservation, environment, recreation, and agriculture | 4,715 | 4,270 | 4,459 | 3,729 |
| Labor, commerce, and regulatory | 4,814 | 4,097 | 4,126 | 3,994 |
| Health services | 5,370 | 4,465 | 4,577 | 4,424 |
| Transportation | <u>3,185</u> | <u>2,826</u> | <u>2,956</u> | <u>2,849</u> |
| Total | 60,147 | 54,866 | 54,573 | 52,614 |

NOTES: Starting in fiscal year 2005, this report reflects classified employees who are full-time, part-time, permanent intermittent, limited term, seasonal, and non-career in primary positions only, except for the following non-career appointments: student assistant, construction aide-transportation, and state worker.

Each fiscal year in this schedule also includes approximately 2,000 classified employees for the business type activities and discretely presented component unit authorities. Although the expenses for the business type activities and component unit authorities are reported separately in the government-wide financial statements, the employee counts were combined in this schedule to ensure consistency with the Civil Service Commission reports and for administrative efficiency.

This schedule includes average employee counts. Employees who job share are divided in half. For this reason, totals may not equal the sum of the employee counts per function.

SOURCE: Michigan Civil Service Commission, Annual Work Force Report.

Michigan

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 7,144 | 7,264 | 7,347 | 7,328 | 6,995 | 6,645 |
| 367 | 369 | 380 | 405 | 445 | 446 |
| 9,778 | 9,759 | 9,582 | 10,168 | 10,414 | 10,365 |
| 20,060 | 19,948 | 19,451 | 19,310 | 18,388 | 17,508 |
| 3,662 | 3,586 | 3,439 | 3,466 | 3,359 | 3,041 |
| 4,128 | 3,967 | 3,781 | 4,056 | 4,298 | 3,727 |
| 4,241 | 4,225 | 3,964 | 4,075 | 3,873 | 3,448 |
| <u>2,880</u> | <u>2,895</u> | <u>2,854</u> | <u>2,892</u> | <u>2,844</u> | <u>2,639</u> |
| 52,259 | 52,013 | 50,799 | 51,699 | 50,615 | 47,818 |

Michigan

OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

| | 2002 | 2003 | 2004 |
|--|------------|------------|------------|
| General government | | | |
| Tax forms processed (8) | 8,460,529 | 8,131,481 | 8,079,995 |
| Passenger, commercial, and recreational vehicle registrations | 9,109,817 | 9,100,370 | 8,987,430 |
| Driver licenses issued | 1,728,793 | 1,899,690 | 2,018,292 |
| Education | | | |
| K-12 students | 1,715,153 | 1,718,286 | 1,716,511 |
| Public university students | 241,205 | 246,205 | 249,616 |
| Community college students | 116,802 | 125,719 | 127,717 |
| Human services | | | |
| Food assistance program recipients (1) | 748,421 | 836,518 | 943,713 |
| Family independence program recipients (1) | 202,462 | 200,962 | 211,569 |
| Day care recipients (1) | 117,941 | 122,360 | 120,623 |
| Children in foster care | 19,078 | 19,317 | 19,281 |
| State disability assistance recipients (1) | 8,045 | 9,114 | 10,058 |
| Finalized adoptions (yearly total) (2) | 2,895 | 2,643 | 2,776 |
| Juvenile justice youth served | 2,840 | 2,293 | 2,040 |
| Open child support cases with support orders established | 745,135 | 758,992 | 769,462 |
| Public safety and corrections | | | |
| Inmates, parolees, and probationers (as of 9/30) | 120,804 | 122,377 | 122,680 |
| State police patrol miles driven | 18,605,982 | 15,230,342 | 15,961,280 |
| Criminal offender DNA samples entered into federal indexing database (calendar year) | 8,861 | 13,967 | 34,525 |
| National Guard members (as of 9/30) | 11,580 | 11,306 | 10,917 |
| Veteran homes average daily census | 901 | 900 | 886 |
| Conservation, environment, recreation and agriculture | | | |
| Hunting and/or fishing license holders (3) | 2,138,381 | 2,104,171 | 2,053,768 |
| Camping nights in State parks | 1,142,539 | 1,156,130 | 1,040,368 |
| Population impacted by water purification projects | 157,966 | 314,918 | 203,641 |
| Underground storage tank releases closed | 561 | 339 | 337 |
| Scrap tires collected (passenger tire equivalent) | 667,443 | 1,751,165 | 3,215,727 |
| Labor, commerce, and regulatory | | | |
| Processed applications for new and renewal occupational licenses (4) | 31,456 | 205,088 | 196,440 |
| Building related permits issued | 41,573 | 41,216 | 39,942 |
| Building related safety inspections conducted | 47,375 | 47,339 | 44,343 |
| Occupational safety and health enforcement inspections conducted | 4,919 | 4,820 | 5,301 |
| Alleged occupational safety and health violations identified | 19,839 | 19,188 | 20,576 |
| Financial and insurance service providers chartered | 231,741 | 252,338 | 260,498 |
| Health services | | | |
| Medicaid recipients (1) | 1,197,086 | 1,281,397 | 1,357,546 |
| Women, Infants, and Children Food and Nutrition Program recipients (1) | 215,989 | 216,684 | 222,077 |
| Children's special health care services recipients (1) | 29,465 | 27,105 | 29,105 |
| Mentally ill/developmental disability service recipients (1) | 195,552 | 185,072 | 187,059 |
| Substance abuse service recipients (1) | 56,049 | 65,584 | 66,085 |

NOTES:

- (1) Monthly average.
- (2) Total adoptions were completed by the Department of Human Services (DHS) and private agencies under contract with DHS.
- (3) The licensing season runs April 1 through March 31. Amounts reported under fiscal year 2011 are for the licensing year ending March 31, 2011.
- (4) Processed occupational license renewals are not available for fiscal year 2002.
- (5) The increase in fiscal year 2005 resulted from a project benefiting users of the Detroit Water and Sewerage Department.
- (6) Amount estimated.
- (7) Enhanced driver licenses were sold starting in fiscal year 2009.
- (8) Numbers for fiscal years 2002 through 2008 are on a calendar year basis. Effective fiscal year 2009, the numbers are on a fiscal year basis.

SOURCES: Various State departments.

Michigan

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|--|--|--|--|
| 8,059,355 | 8,259,132 | 8,245,905 | 8,335,760 | 8,320,921 | 8,078,164 | 8,198,000 (6) |
| 8,879,158 1,913,530 | 8,732,938 1,724,108 | 8,785,222 1,875,932 | 8,570,421 1,915,459 | 8,506,838 1,910,604 (7) | 8,459,499 1,791,417 | 8,479,747 1,901,673 |
| 1,708,584 250,030 131,150 | 1,697,936 253,020 133,359 | 1,678,579 253,576 139,219 | 1,648,585 254,231 146,234 | 1,614,975 257,148 157,225 | 1,592,598 262,615 177,277 | 1,565,390 264,903 176,356 |
| 1,047,594 212,252 118,939 18,745 10,560 2,910 1,871 | 1,133,793 217,318 114,758 18,414 10,591 2,621 1,655 | 1,204,409 237,102 106,062 18,943 11,015 2,638 1,512 | 1,262,951 210,181 97,856 18,016 10,427 2,899 1,371 | 1,462,710 202,693 83,137 16,115 10,528 3,087 1,047 | 1,776,368 224,651 63,643 15,261 10,628 2,620 988 | 1,928,478 227,490 54,049 14,043 10,094 2,448 (6) 951 |
| 777,188 | 764,500 | 754,511 | 755,004 | 763,919 | 764,388 | 772,930 |
| 119,845 16,879,418 | 120,337 17,632,736 | 123,032 14,916,802 | 126,100 17,071,748 | 125,854 15,138,587 | 125,231 16,148,708 | 117,152 15,045,772 |
| 23,099 11,125 909 | 41,888 11,768 902 | 30,519 11,862 896 | 25,263 11,991 891 | 19,029 11,817 875 | 20,911 11,900 852 | 18,948 (6) 11,504 798 |
| 2,004,577 1,005,437 3,994,970 (5) 265 5,942,164 | 1,950,676 956,030 1,046,379 320 6,081,447 | 1,981,382 929,753 490,298 233 3,736,086 | 1,964,480 891,607 1,331,867 159 3,772,376 | 1,951,579 894,410 359,015 203 5,517,872 | 1,934,765 916,289 370,662 231 1,121,596 | 1,912,262 950,000 (6) 725,931 171 220,508 (6) |
| 152,659 40,662 41,303 | 164,153 33,031 45,921 | 198,430 26,942 42,931 | 151,230 24,025 47,847 | 150,118 19,604 54,766 | 155,035 20,078 62,717 | 147,791 18,182 60,863 |
| 4,492 | 5,102 | 5,001 | 5,032 | 5,071 | 5,202 | 5,343 |
| 17,621 281,668 | 17,311 297,662 | 16,712 323,791 | 15,781 334,685 | 14,006 328,182 | 14,221 331,410 | 14,333 349,269 |
| 1,424,831 | 1,490,384 | 1,524,299 | 1,536,853 | 1,622,758 | 1,823,178 | 1,899,107 |
| 226,601 30,232 200,424 69,808 | 229,770 30,449 207,407 71,175 | 232,280 30,898 213,257 69,564 | 239,145 31,452 219,238 70,978 | 242,453 30,008 228,258 73,334 | 256,229 31,818 228,215 71,382 | 252,123 31,587 229,050 (6) 70,798 (6) |

Michigan

OPERATING INDICATORS BY FUNCTION - (Continued) LAST TEN FISCAL YEARS

| | 2002 | 2003 | 2004 |
|---|----------------|----------------|----------------|
| Transportation | | | |
| Annual vehicle miles of travel on | | | |
| State Trunkline roads (13) | 52,800,000,000 | 53,400,000,000 | 53,700,000,000 |
| Miles of intercity bus travel receiving State funding | 1,169,738 | 1,148,787 | 1,116,321 |
| Miles of local bus travel receiving State funding | 98,082,082 | 97,289,858 | 93,223,721 |
| Railroad crossing maintenance/safety inspections | 2,927 | 2,405 | 2,370 |
| Tax credits | | | |
| Taxpayers claiming refundable credits (10) (12) | 1,380,400 | 1,416,100 | 1,479,300 |
| Intergovernmental-revenue sharing | | | |
| Township grants | 1,241 | 1,241 | 1,241 |
| City grants | 272 | 272 | 272 |
| Village grants | 261 | 261 | 261 |
| County grants (11) | 83 | 83 | 83 |
| Liquor Purchase Revolving Fund | | | |
| Annual retail liquor licenses issued | 16,130 | 16,034 | 16,019 |
| Liquor sales volume (cases) | 5,496,879 | 5,752,264 | 6,029,155 |
| Beer sales volume (barrels) | 6,730,138 | 6,802,658 | 6,807,147 |
| Wine sales volume (liters) | 53,916,859 | 61,471,699 | 65,417,883 |
| Pre-mixed spirit drink sales volume (liters) | 1,572,937 | 1,032,309 | 1,237,451 |
| State Lottery Fund | | | |
| Retailers | 9,160 | 9,048 | 10,806 |
| Winners greater than \$600 | 25,921 | 44,162 | 44,962 |
| Millionaire prizewinners | 16 | 11 | 20 |
| Michigan Unemployment Compensation Funds | | | |
| Individuals receiving benefits (calendar year) | 623,208 | 617,145 | 617,134 |

NOTES:

- (9) Amount estimated.
- (10) Tax credits are reported based on the tax year. Credits claimed during tax year 2010, for example, are reported above in fiscal year 2010. The 2010 totals include approximately 130,000 returns claiming an Energy Efficient Qualified Home Improvement tax credit.
- (11) County grants were suspended beginning in fiscal year 2005. Instead, each county expends from its revenue sharing reserve fund created by State statute in 2004. Each fiscal year, counties are allowed only to expend from the fund the amount the Department of Treasury certifies them to spend. Once a county has exhausted its revenue sharing reserve fund, the county will return to revenue sharing.
- (12) Amount estimated and rounded to nearest hundred.
- (13) Amount estimated and rounded to nearest one hundred million on a calendar-year basis.

SOURCES: Various State departments.

Michigan

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| 52,600,000,000 1,090,708 88,837,852 2,898 | 51,500,000,000 1,086,793 92,951,025 2,531 | 52,000,000,000 1,081,038 94,128,601 2,679 | 51,500,000,000 1,087,543 101,037,008 2,586 | 48,700,000,000 1,080,543 99,503,940 1,932 | 48,700,000,000 1,080,444 95,554,816 1,454 | 49,800,000,000 1,086,022 97,241,728 2,563 |
| 1,497,900 | 1,525,500 | 1,581,700 | 2,322,600 | 2,566,100 | 2,473,300 | Unavailable |
| 1,241 274 259 - | 1,241 274 259 - | 1,241 274 259 - | 1,241 274 259 1 | 1,240 275 258 7 | 1,240 277 256 20 | 1,240 277 256 36 |
| 15,964 6,110,122 6,721,468 66,022,306 1,065,146 | 15,942 6,293,797 6,647,438 68,139,758 871,900 | 15,838 6,464,739 6,588,385 71,385,503 1,008,073 | 15,763 6,611,415 6,601,138 72,797,847 811,286 | 15,771 6,734,253 6,465,495 73,200,249 787,948 | 15,898 6,877,873 6,448,197 79,440,328 983,029 | 15,870 7,117,299 6,250,673 81,504,221 954,712 |
| 11,076 44,692 21 | 10,880 52,124 17 | 10,973 49,585 42 | 10,969 44,962 37 | 10,680 53,986 40 | 10,797 60,543 39 | 10,746 48,567 28 |
| 547,376 | 569,721 | 547,950 | 633,558 | 913,568 | 825,858 | 643,000 (9) |

Michigan

CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS

| | 2002 | 2003 | 2004 | 2005 |
|--|-------------|-------------|-------------|-------------|
| General Government: | | | | |
| Buildings | Unavailable | Unavailable | Unavailable | Unavailable |
| Vehicles | Unavailable | Unavailable | Unavailable | Unavailable |
| Education | | | | |
| Buildings | Unavailable | Unavailable | Unavailable | Unavailable |
| Vehicles | Unavailable | Unavailable | Unavailable | Unavailable |
| Human services | | | | |
| Buildings | Unavailable | Unavailable | Unavailable | Unavailable |
| Vehicles | Unavailable | Unavailable | Unavailable | Unavailable |
| Public safety and corrections | | | | |
| Buildings | Unavailable | Unavailable | Unavailable | Unavailable |
| Vehicles | Unavailable | Unavailable | Unavailable | Unavailable |
| Conservation, environment, recreation, and agriculture | | | | |
| Buildings | 191 | 192 | 203 | 229 |
| Vehicles | Unavailable | Unavailable | Unavailable | Unavailable |
| Environmental quality | | | | |
| air-monitoring instruments | 99 | 116 | 146 | 170 |
| Environmental quality | | | | |
| lab/analyzing equipment | 124 | 129 | 151 | 127 |
| Natural resources acres of land | 4,545,628 | 4,551,591 | 4,556,233 | 4,557,246 |
| Harbors | 16 | 16 | 16 | 16 |
| Hatcheries | 6 | 6 | 6 | 6 |
| State park & recreation areas | 96 | 97 | 97 | 97 |
| Labor, commerce, and regulatory | | | | |
| Buildings | Unavailable | Unavailable | Unavailable | Unavailable |
| Vehicles | Unavailable | Unavailable | Unavailable | Unavailable |
| Health services | | | | |
| Buildings | Unavailable | Unavailable | Unavailable | Unavailable |
| Vehicles | Unavailable | Unavailable | Unavailable | Unavailable |
| Transportation | | | | |
| Buildings | Unavailable | Unavailable | Unavailable | Unavailable |
| Vehicles | 1,242 | 1,320 | 1,322 | 1,448 |
| Highway lane miles (calendar year) | 27,423 | 27,460 | 27,534 | 27,557 |
| Heavy equipment owned | 2,128 | 2,112 | 2,129 | 2,117 |

NOTES: For years prior to 2006, capital assets information was not available by function.

Building and vehicle counts include both owned and leased assets with the exception of transportation vehicles for years prior to fiscal year 2006. Transportation vehicle counts for fiscal years prior to fiscal year 2006 include only owned vehicles.

Acres of land are on a tax year basis rather than a fiscal year basis. The current fiscal year amount is an estimate.

Building counts for 2002 - 2005 in the Conservation, environment, recreation, and agriculture function represent only those buildings owned by the Department of Natural Resources.

SOURCES: Michigan Departments of Technology, Management and Budget, Natural Resources, Environmental Quality, and Transportation.

Michigan

| <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 281 | 280 | 296 | 279 | 261 | 247 |
| 747 | 754 | 756 | 772 | 812 | 762 |
| 27 | 27 | 27 | 27 | 27 | 27 |
| 28 | 21 | 21 | 23 | 23 | 24 |
| 208 | 208 | 210 | 207 | 193 | 188 |
| 838 | 844 | 931 | 926 | 930 | 997 |
| 1,390 | 1,390 | 1,403 | 1,393 | 1,389 | 1,386 |
| 3,401 | 3,548 | 3,605 | 3,542 | 3,568 | 3,448 |
| 249 | 300 | 314 | 326 | 340 | 339 |
| 3,452 | 3,763 | 3,832 | 3,850 | 3,912 | 3,829 |
| 188 | 194 | 195 | 198 | 202 | 202 |
| 131 | 153 | 147 | 147 | 144 | 150 |
| 4,562,444 | 4,566,708 | 4,574,274 | 4,582,771 | 4,588,442 | 4,586,891 |
| 16 | 16 | 16 | 17 | 17 | 18 |
| 6 | 6 | 6 | 6 | 6 | 6 |
| 97 | 98 | 98 | 98 | 98 | 99 |
| 160 | 164 | 158 | 154 | 173 | 166 |
| 482 | 482 | 509 | 510 | 492 | 490 |
| 239 | 239 | 241 | 241 | 241 | 241 |
| 272 | 276 | 287 | 290 | 305 | 300 |
| 437 | 437 | 439 | 436 | 436 | 435 |
| 1,841 | 1,872 | 1,777 | 1,764 | 1,770 | 1,729 |
| 27,521 | 27,514 | 27,478 | 27,438 | 27,432 | 27,439 |
| 2,162 | 2,184 | 2,164 | 2,173 | 2,184 | 2,211 |





IV. OTHER INFORMATION

Michigan

COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES

GENERAL AND SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| <u>SOURCE</u> | <u>TOTAL</u> | <u>GENERAL FUND</u> | <u>SPECIAL REVENUE FUNDS</u> |
|---|--------------|---------------------|------------------------------|
| TAXES | | | |
| Sales | \$ 6,710,882 | \$ 1,742,193 | \$ 4,968,689 |
| Personal income | 7,688,978 | 5,716,052 | 1,972,926 |
| Single business and Michigan business | 2,098,407 | 1,486,975 | 611,433 |
| Use | 1,548,914 | 1,032,597 | 516,316 |
| State education (property) | 1,845,086 | - | 1,845,086 |
| Real estate transfer | 123,254 | - | 123,254 |
| Tobacco products | 968,512 | 592,152 | 376,360 |
| Beer and wine | 49,694 | 49,694 | - |
| Liquor | 117,793 | 78,704 | 39,089 |
| Horse race wagering | 5,257 | 5,257 | - |
| Casino gaming wagering | 114,017 | - | 114,017 |
| Telephone and telegraph company | 56,059 | 56,059 | - |
| Commercial mobile radio service | 28,058 | 28,058 | - |
| Insurance company | 271,257 | 271,257 | - |
| Motor vehicle registration | 862,482 | 2,807 | 859,675 |
| Gasoline | 831,999 | - | 831,999 |
| Diesel fuel | 125,886 | - | 125,886 |
| Gas and oil severance | 60,958 | 60,958 | - |
| Industrial facilities | 43,595 | - | 43,595 |
| Convention hotel accommodation | 17,207 | 17,207 | - |
| Airport parking | 20,275 | 20,275 | - |
| Quality assurance assessment | 882,600 | 882,600 | - |
| Penalties and interest | 139,251 | 139,251 | - |
| Other | 75,915 | 53,386 | 22,529 |
| | 24,686,336 | 12,235,481 | 12,450,855 |
| FROM FEDERAL AGENCIES | | | |
| Department of Health and Human Services | 11,626,948 | 11,625,870 | 1,078 |
| Department of Education | 2,319,013 | 282,535 | 2,036,478 |
| Department of Agriculture | 3,912,941 | 3,480,998 | 431,944 |
| Department of Labor | 505,773 | 331,638 | 174,136 |
| Department of Housing and Urban Development | 12,219 | 12,219 | - |
| Department of Energy | 170,499 | 170,499 | - |
| Department of Transportation | 66,744 | 24,432 | 42,312 |
| Department of Interior | 28,889 | 25,800 | 3,089 |
| Department of Defense | 50,182 | 50,182 | - |
| Department of Justice | 47,763 | 47,763 | - |
| Environmental Protection Agency | 53,115 | 52,762 | 353 |
| Other | 178,572 | 178,347 | 225 |
| | 18,972,659 | 16,283,044 | 2,689,615 |
| FROM LOCAL AGENCIES | | | |
| Counties | 69,739 | 69,739 | - |
| Cities, villages, and townships | 164 | 164 | - |
| School districts | 3,229 | 3,229 | - |
| Other | 12,542 | 12,542 | - |
| | 85,674 | 85,674 | - |
| SPECIAL MEDICAID REIMBURSEMENTS | | | |
| | 155,059 | 155,059 | - |
| | 155,059 | 155,059 | - |

Michigan

| <u>SOURCE</u> | <u>TOTAL</u> | <u>GENERAL FUND</u> | <u>SPECIAL REVENUE FUNDS</u> |
|--|----------------------|----------------------|------------------------------|
| FROM SERVICES | | | |
| Charges for providing vehicle and driver services | \$ 126,590 | \$ 123,097 | \$ 3,493 |
| Revenue for patient, ward, and inmate care | 34,675 | 34,675 | - |
| Other | <u>159,204</u> | <u>159,203</u> | <u>1</u> |
| | <u>320,469</u> | <u>316,975</u> | <u>3,494</u> |
| FROM LICENSES AND PERMITS | | | |
| Liquor retailer, manufacturer, and wholesaler licenses | 16,197 | 16,197 | - |
| Motor vehicle operator and chauffeur licenses | 43,766 | 43,361 | 405 |
| Examination fees - financial institutions and insurance industry | 27,539 | 27,539 | - |
| Concession and privilege fees - State parks | 714 | - | 714 |
| Motor vehicle related | 32,418 | 2,449 | 29,969 |
| Hunting, fishing, and trapping licenses | 49,045 | - | 49,045 |
| Public utility assessment fees | 25,093 | 25,093 | - |
| Regulatory licenses and permits | 76,442 | 68,941 | 7,501 |
| Auto repair facility and mechanic licenses and fees | 3,566 | 3,566 | - |
| Corporation franchise fees | 20,839 | 20,839 | - |
| Recreation user fees and permits | 70,845 | 1,898 | 68,947 |
| Other | <u>81,548</u> | <u>79,763</u> | <u>1,785</u> |
| | <u>448,012</u> | <u>289,647</u> | <u>158,366</u> |
| MISCELLANEOUS | | | |
| Income from investments | 9,465 | 1,756 | 7,709 |
| Tobacco settlement proceeds | 190,669 | - | 190,669 |
| Various fines, fees, and assessments | 71,887 | 39,952 | 31,934 |
| Court fines, fees, and assessments | 271,904 | 261,390 | 10,514 |
| Oil and gas royalties, fees, assignments, and rentals | 13,810 | 8,912 | 4,898 |
| Environmental pollution settlements | 7,331 | 1,032 | 6,300 |
| Child support | 28,063 | 28,063 | - |
| Low income and energy efficiency | 72,938 | 72,938 | - |
| Other | <u>721,001</u> | <u>410,997</u> | <u>310,004</u> |
| | <u>1,387,068</u> | <u>825,040</u> | <u>562,028</u> |
| Total Revenues | <u>46,055,277</u> | <u>30,190,919</u> | <u>15,864,358</u> |
| OTHER FINANCING SOURCES | | | |
| Proceeds from bond issues and bond anticipation notes | 211,001 | 211,001 | - |
| Capital lease acquisitions | 171,094 | 171,094 | - |
| Proceeds from sale of capital assets | 1,742 | 1,742 | - |
| Transfers From Other Funds: | | | |
| From Liquor Purchase Revolving Fund | 166,898 | 166,898 | - |
| From State Lottery Fund | 737,669 | 10,344 | 727,325 |
| From other funds | <u>272,101</u> | <u>53,535</u> | <u>218,566</u> |
| Total Other Financing Sources | <u>1,560,505</u> | <u>614,614</u> | <u>945,891</u> |
| Total Revenue and Other Financing Sources (GAAP Basis) | <u>\$ 47,615,782</u> | <u>\$ 30,805,533</u> | <u>\$ 16,810,248</u> |

Michigan

SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| <u>SOURCE</u> | <u>TOTAL</u> | <u>GENERAL PURPOSE</u> | <u>RESTRICTED REVENUES</u> |
|---|------------------|----------------------------|--------------------------------|
| TAXES | | | |
| Sales | \$ 1,742,193 | \$ 637,463 | \$ 1,104,729 |
| Personal income | 5,716,052 | 4,328,202 | 1,387,850 |
| Single business and Michigan business | 1,486,975 | 1,465,982 | 20,993 |
| Use | 1,032,597 | 989,854 | 42,744 |
| Tobacco products | 592,152 | 195,748 | 396,404 |
| Beer and wine | 49,694 | 49,694 | - |
| Liquor | 78,704 | 39,561 | 39,143 |
| Horse race wagering | 5,257 | - | 5,257 |
| Telephone and telegraph company | 56,059 | 56,059 | - |
| Commercial mobile radio service | 28,058 | - | 28,058 |
| Insurance company | 271,257 | 271,249 | 8 |
| Motor vehicle registration | 2,807 | - | 2,807 |
| Gas and oil severance | 60,958 | 59,765 | 1,193 |
| Convention hotel accommodation | 17,207 | - | 17,207 |
| Airport parking | 20,275 | - | 20,275 |
| Quality assurance assessment | 882,600 | - | 882,600 |
| Penalties and interest | 139,251 | 125,482 | 13,769 |
| Other | 53,386 | 1,634 | 51,752 |
| | <hr/> 12,235,481 | <hr/> 8,220,694 | <hr/> 4,014,787 |
| FROM FEDERAL AGENCIES | | | |
| Department of Health and Human Services | 11,625,870 | 7,220 | 11,618,650 |
| Department of Education | 282,535 | 634 | 281,901 |
| Department of Agriculture | 3,480,998 | 2,259 | 3,478,738 |
| Department of Labor | 331,638 | 18 | 331,619 |
| Department of Housing and Urban Development | 12,219 | 137 | 12,081 |
| Department of Energy | 170,499 | 262 | 170,237 |
| Department of Transportation | 24,432 | 1,718 | 22,714 |
| Department of Interior | 25,800 | 230 | 25,570 |
| Department of Defense | 50,182 | 58 | 50,123 |
| Department of Justice | 47,763 | 363 | 47,399 |
| Environmental Protection Agency | 52,762 | 2,030 | 50,732 |
| Other | 178,347 | 2,395 | 175,953 |
| | <hr/> 16,283,044 | <hr/> 17,325 | <hr/> 16,265,719 |
| FROM LOCAL AGENCIES | | | |
| Counties | 69,739 | 2,412 | 67,328 |
| Cities, villages, and townships | 164 | - | 164 |
| School districts | 3,229 | - | 3,229 |
| Other | 12,542 | 1 | 12,541 |
| | <hr/> 85,674 | <hr/> 2,413 | <hr/> 83,261 |
| SPECIAL MEDICAID REIMBURSEMENTS | | | |
| | <hr/> 155,059 | <hr/> - | <hr/> 155,059 |
| | <hr/> 155,059 | <hr/> - | <hr/> 155,059 |

Michigan

| <u>SOURCE</u> | <u>TOTAL</u> | <u>GENERAL PURPOSE</u> | <u>RESTRICTED REVENUES</u> |
|--|----------------------|----------------------------|--------------------------------|
| FROM SERVICES | | | |
| Charges for providing vehicle and driver services | \$ 123,097 | \$ 1,403 | \$ 121,693 |
| Revenue for patient, ward, and inmate care | 34,675 | - | 34,675 |
| Other | <u>159,203</u> | <u>10,474</u> | <u>148,729</u> |
| | <u>316,975</u> | <u>11,878</u> | <u>305,097</u> |
| FROM LICENSES AND PERMITS | | | |
| Liquor retailer, manufacturer, and wholesaler licenses | 16,197 | 1,611 | 14,587 |
| Motor vehicle operator and chauffeur licenses | 43,361 | 3,809 | 39,553 |
| Examination fees - financial institutions and insurance industry | 27,539 | - | 27,539 |
| Motor vehicle related | 2,449 | 20 | 2,429 |
| Public utility assessment fees | 25,093 | - | 25,093 |
| Regulatory licenses and permits | 68,941 | 7,257 | 61,684 |
| Auto repair facility and mechanic licenses and fees | 3,566 | 813 | 2,754 |
| Corporation franchise fees | 20,839 | 5 | 20,834 |
| Recreation user fees and permits | 1,898 | 306 | 1,592 |
| Other | <u>79,763</u> | <u>1,601</u> | <u>78,162</u> |
| | <u>289,647</u> | <u>15,422</u> | <u>274,225</u> |
| MISCELLANEOUS | | | |
| Income from investments | 1,756 | 385 | 1,370 |
| Various fines, fees, and assessments | 39,952 | 909 | 39,043 |
| Court fines, fees, and assessments | 261,390 | 112,095 | 149,296 |
| Oil and gas royalties, fees, assignments, and rentals | 8,912 | - | 8,912 |
| Environmental pollution settlements | 1,032 | - | 1,032 |
| Child support | 28,063 | 546 | 27,517 |
| Low income and energy efficiency | 72,938 | - | 72,938 |
| Other | <u>410,997</u> | <u>212,804</u> | <u>198,193</u> |
| | <u>825,040</u> | <u>326,739</u> | <u>498,301</u> |
| Total Revenues | <u>30,190,919</u> | <u>8,594,470</u> | <u>21,596,449</u> |
| OTHER FINANCING SOURCES | | | |
| Proceeds from bond issues and bond anticipation notes | 211,001 | - | 211,001 |
| Capital lease acquisitions | 171,094 | - | 171,094 |
| Proceeds from sale of capital assets | 1,742 | - | 1,742 |
| Transfers From Other Funds: | | | |
| From Liquor Purchase Revolving Fund | 166,898 | 164,251 | 2,648 |
| From State Lottery Fund | 10,344 | 9,354 | 990 |
| From other funds | <u>53,535</u> | <u>112</u> | <u>53,422</u> |
| Total Other Financing Sources | <u>614,614</u> | <u>173,717</u> | <u>440,897</u> |
| Total Revenue and Other Financing Sources (GAAP Basis) | <u>30,805,533</u> | <u>8,768,187</u> | <u>22,037,347</u> |
| BUDGETARY BASIS ADJUSTMENTS | | | |
| Capital lease acquisitions | <u>(171,094)</u> | <u>-</u> | <u>(171,094)</u> |
| Total Revenue and Other Financing Sources (Budgetary Basis) | <u>\$ 30,634,439</u> | <u>\$ 8,768,187</u> | <u>\$ 21,866,253</u> |

Michigan

SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(In Thousands)

| BRANCH AND DEPARTMENT | CURRENT LEGISLATIVE APPROPRIATION | BUDGETARY TRANSFERS IN/OUT | BUDGETARY ADJUSTMENT | UNEXPENDED FROM PRIOR YEAR | RESTRICTED REVENUE ADDITIONS | LESS: TIMING DIFFERENCES* | RESTRICTED REVENUE NOT AUTHORIZED/USED |
|--------------------------------------|---|----------------------------------|-------------------------|----------------------------------|------------------------------------|------------------------------|---|
| | | | | | | | AUTHORIZED/USED |
| Legislative Branch | \$ 111,729 | \$ - | \$ 147 | \$ 16,523 | \$ 7,280 | \$ - | |
| Judicial Branch | 150,735 | - | - | 19,369 | 82,483 | (13,775) | |
| Executive Branch: | | | | | | | |
| Agriculture | 28,982 | - | - | 7,742 | 36,165 | (10,151) | |
| Attorney General | 26,894 | - | - | 2,812 | 36,243 | (2,622) | |
| Civil Rights | 10,178 | - | - | 250 | 1,760 | - | |
| Colleges and Universities Grants | 1,779,244 | - | - | 3 | 86,029 | - | |
| Community Health | 2,727,373 | - | - | 75,732 | 11,961,448 | (353,688) | |
| Corrections | 1,900,078 | - | - | 8,779 | 41,797 | (2,843) | |
| Education | 40,012 | - | - | 2,020 | 69,794 | (2,645) | |
| Environmental Quality | 24,347 | - | - | 84,600 | 191,126 | (109,556) | |
| Executive Office | 4,631 | - | - | - | - | - | |
| Human Services | 966,915 | 150 | - | 24,133 | 5,397,131 | (14,986) | |
| Licensing and Regulatory Affairs | 87,642 | - | - | 122,405 | 860,533 | (92,354) | |
| Military and Veterans Affairs | 35,986 | - | - | 4,152 | 99,390 | (3,915) | |
| Natural Resources | 15,611 | - | - | 4,856 | 50,176 | (5,522) | |
| State | 13,092 | - | - | 22,793 | 174,648 | (20,262) | |
| State Police | 257,574 | - | - | 55,917 | 229,619 | (41,430) | |
| Technology, Management and Budget | 295,542 | - | - | 27,548 | 261,529 | (31,589) | |
| Transportation | - | - | - | - | - | - | |
| Treasury | 161,867 | - | - | 86,296 | 2,975,272 | (61,129) | |
| Intrafund expenditure reimbursements | - | - | - | - | - | - | |
| TOTAL | \$ 8,638,431 | \$ 150 | \$ 147 | \$ 565,932 | \$ 22,562,422 | \$ (766,467) | |

* Timing differences are subtracted from Gross Spending Authority in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multi-year projects (capital outlay and work projects) and restricted revenue not authorized/used, which includes revenues that by statute, are restricted for use to a particular program or activity. Generally, the expenditure of the restricted revenue is subject to annual legislative appropriation. However, the restricted revenue may also be used in subsequent years to finance expenditures in multi-year appropriations and for encumbrances carried forward.

Restricted revenue balances authorized in the Variances category represent restricted revenue carry-overs that could have been used in the current period but were not.

For budgetary purposes, encumbrance authorization are considered use of spending authority in the year the State incurs an obligation.

NOTE: This schedule was prepared on the Statutory/Budgetary basis.

Michigan

| GROSS SPENDING AUTHORITY | LESS: TIMING DIFFERENCES* MULTI-YEAR PROJECTS | "BUDGET" | | "ACTUAL" | | "VARIANCES" | | | |
|---|--|----------------------------|--|-----------------------|-----------------------------|--|-------------------|--------------------|--|
| | | AS PRESENTED IN STATEMENTS | | EXPENDED/ TRANSFERRED | ENCUMBERED BALANCES FORWARD | RESTRICTED REVENUE BALANCES AUTHORIZED | LAPSES | OVEREXPENDED | |
| \$ 135,680 238,812 | \$ (11,916) - | \$ 123,764 238,812 | | \$ 122,720 234,695 | \$ 446 1,900 | \$ 101 153 | \$ 495 2,064 | \$ - - | |
| 62,739 | - | 62,739 | | 62,136 | 561 | - | 42 | - | |
| 63,327 | - | 63,327 | | 62,897 | 114 | - | 317 | - | |
| 12,188 | - | 12,188 | | 11,735 | - | - | 453 | - | |
| 1,865,275 | (5) | 1,865,270 | | 1,865,210 | - | - | 59 | - | |
| 14,410,865 | (5,358) | 14,405,507 | | 14,332,172 | 1,913 | - | 127,926 | (56,504) | |
| 1,947,811 | (649) | 1,947,161 | | 1,929,742 | 10,601 | 944 | 5,874 | - | |
| 109,182 | (167) | 109,015 | | 107,964 | 479 | 464 | 108 | - | |
| 190,517 | - | 190,517 | | 190,479 | 24 | - | 13 | - | |
| 4,631 | - | 4,631 | | 4,512 | - | - | 119 | - | |
| 6,373,342 | (5,113) | 6,368,229 | | 6,308,214 | 15,690 | - | 44,325 | - | |
| 978,226 | (325) | 977,901 | | 958,152 | 516 | 17,799 | 1,434 | - | |
| 135,612 | (177) | 135,435 | | 134,482 | 380 | - | 573 | - | |
| 65,122 | - | 65,122 | | 64,763 | 316 | - | 43 | - | |
| 190,270 | (5,030) | 185,240 | | 176,731 | 31 | 91 | 8,387 | - | |
| 501,681 | (1,498) | 500,183 | | 494,676 | 4,946 | - | 561 | - | |
| 553,029 | (46) | 552,984 | | 537,592 | 3,023 | 509 | 11,860 | - | |
| - | - | - | | - | - | - | - | - | |
| 3,162,306 | (19,893) | 3,142,413 | | 3,082,468 | 27,836 | 20,964 | 11,145 | - | |
| - | - | (716,282) | | (716,282) | - | - | - | - | |
| \$ 31,000,615 | \$ (50,178) | \$ 30,234,156 | | \$ 29,965,058 | \$ 68,776 | \$ 41,025 | \$ 215,800 | \$ (56,504) | |
| Prior Year encumbrances | | (47,607) | | (47,607) | | | | | |
| Amount reported on Budgetary Comparison Schedule | | \$ 30,186,549 | | \$ 29,917,451 | \$ 68,776 | \$ 41,025 | \$ 215,800 | \$ (56,504) | |

**SOURCE AND DISPOSITION OF
GENERAL FUND/GENERAL PURPOSE AUTHORIZATIONS
APPROPRIATION YEAR 2011
FISCAL YEAR ENDED SEPTEMBER 30, 2011**
(In Thousands)

| <u>BRANCH AND DEPARTMENT</u> | <u>CURRENT LEGISLATIVE APPROPRIATION*</u> | <u>BUDGETARY TRANSFERS IN/OUT</u> | <u>BUDGETARY ADJUSTMENT</u> |
|-----------------------------------|---|---|---------------------------------|
| Legislative Branch | \$ 111,729 | \$ - | \$ 147 |
| Judicial Branch | 150,735 | - | - |
| Executive Branch: | | | |
| Agriculture | 28,982 | - | - |
| Attorney General | 26,894 | - | - |
| Civil Rights | 10,178 | - | - |
| Colleges and Universities Grants | 1,779,244 | - | - |
| Community Health | 2,727,373 | - | - |
| Corrections | 1,900,078 | - | - |
| Education | 40,012 | - | - |
| Environmental Quality | 24,347 | - | - |
| Executive Office | 4,631 | - | - |
| Human Services | 966,915 | 150 | - |
| Licensing and Regulatory Affairs | 87,642 | - | - |
| Military and Veterans Affairs | 35,986 | - | - |
| Natural Resources | 15,611 | - | - |
| State | 13,092 | - | - |
| State Police | 257,574 | - | - |
| Technology, Management and Budget | 295,542 | - | - |
| Transportation | - | - | - |
| Treasury | 161,867 | - | - |
| TOTAL | <u>\$ 8,638,431</u> | <u>\$ 150</u> | <u>\$ 147</u> |

* The amounts in the "Current Legislative Appropriation" column include certain appropriations that do not appear as line-item appropriations in the budget bills. These appropriations are authorized in narrative "boilerplate" language in the budget bills. "Boilerplate" appropriations include interfund borrowing, interest on general obligation notes and bonds, and certain interfund transfers.

"Boilerplate" appropriations accounted for \$230.2 million of the "Current Legislative Appropriation" for the Appropriation Year 2011.

Michigan

| GROSS SPENDING AUTHORITY | "ACTUAL" | | | | "VARIANCES" | | |
|--------------------------|-----------------------|-----------------------------|-------------------------------------|------------|--------------|--|--|
| | EXPENDED/ TRANSFERRED | ENCUMBERED BALANCES FORWARD | MULTI-YEAR PROJECT BALANCES FORWARD | LAPSES | OVEREXPENDED | | |
| \$ 111,877 | \$ 105,838 | \$ 28 | \$ 5,608 | \$ 403 | \$ - | | |
| 150,735 | 147,031 | 1,804 | - | 1,899 | - | | |
| 28,982 | 28,387 | 553 | - | 42 | - | | |
| 26,894 | 26,486 | 99 | - | 309 | - | | |
| 10,178 | 9,771 | - | - | 407 | - | | |
| 1,779,244 | 1,779,182 | - | 2 | 59 | - | | |
| 2,727,373 | 2,598,050 | 958 | 1,175 | 127,818 | (629) | | |
| 1,900,078 | 1,886,388 | 7,468 | 649 | 5,572 | - | | |
| 40,012 | 39,261 | 479 | 167 | 106 | - | | |
| 24,347 | 24,312 | 21 | - | 13 | - | | |
| 4,631 | 4,512 | - | - | 119 | - | | |
| 967,064 | 907,779 | 15,388 | 444 | 43,453 | - | | |
| 87,642 | 86,107 | 158 | - | 1,377 | - | | |
| 35,986 | 35,124 | 281 | 48 | 533 | - | | |
| 15,611 | 15,285 | 284 | - | 42 | - | | |
| 13,092 | 10,695 | 31 | - | 2,365 | - | | |
| 257,574 | 254,662 | 2,421 | - | 491 | - | | |
| 295,542 | 281,246 | 2,413 | 45 | 11,838 | - | | |
| - | - | - | - | - | - | | |
| 161,867 | 115,992 | 14,862 | 19,893 | 11,119 | - | | |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | | |
| \$ 8,638,728 | \$ 8,356,109 | \$ 47,248 | \$ 28,031 | \$ 207,968 | \$ (629) | | |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | | |

Michigan

REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS

GENERAL AND SPECIAL REVENUE FUNDS

LAST TEN YEARS

SEPTEMBER 30, 2011

(In Thousands)

| <u>SOURCE</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| TAXES: | | | | |
| Sales | \$ 6,439,894 | \$ 6,422,642 | \$ 6,473,522 | \$ 6,599,138 |
| Personal Income (net of tax credits) | 6,095,989 | 5,811,843 | 5,873,365 | 6,108,924 |
| Amount reported as tax credits | 615,100 | 707,800 | 702,700 | 815,300 |
| Single Business and Michigan Business Use | 1,983,795 | 1,843,072 | 1,841,010 | 1,907,190 |
| State Education (Property) | 1,583,660 | 2,127,513 | 1,824,493 | 1,914,629 |
| Real Estate Transfer | 253,075 | 275,513 | 317,480 | 313,548 |
| Tobacco Products | 669,914 | 891,775 | 992,793 | 1,179,871 |
| Beer, Wine, and Liquor | 138,310 | 143,547 | 149,424 | 150,888 |
| Casino Gaming Wagering | 91,915 | 90,945 | 99,455 | 145,811 |
| Insurance Company | 227,081 | 231,076 | 230,272 | 249,524 |
| Motor Vehicle and Fuel | 1,910,783 | 1,938,823 | 2,007,846 | 1,935,732 |
| Quality Assurance Assessment | - | - | 325,188 | 509,857 |
| Penalties and Interest | 148,908 | 128,697 | 104,432 | 142,703 |
| Other | 598,920 | 575,472 | 533,722 | 554,732 |
| TOTAL TAXES | 22,063,709 | 22,418,555 | 22,792,207 | 23,930,245 |
| FEDERAL AGENCIES | 9,285,594 | 9,972,067 | 10,667,838 | 10,890,093 |
| LOCAL AGENCIES | 115,636 | 107,026 | 109,557 | 107,250 |
| SPECIAL MEDICAID REIMBURSEMENTS | 1,109,233 | 932,658 | 704,551 | 467,970 |
| SERVICES | 121,011 | 120,618 | 147,683 | 264,541 |
| LICENSES AND PERMITS | 392,666 | 399,503 | 536,610 | 407,862 |
| MISCELLANEOUS | 1,091,924 | 1,331,834 | 1,058,829 | 1,292,600 |
| TOTAL REVENUE | 34,179,774 | 35,282,262 | 36,017,274 | 37,360,562 |
| PROCEEDS FROM BOND ISSUES AND BOND ANTICIPATION NOTES | 111,809 | 300,826 | 220,171 | 182,441 |
| CAPITAL LEASE ACQUISITIONS | 237,272 | 16,052 | 19,661 | 6,778 |
| PROCEEDS FROM SALE OF CAPITAL ASSETS | - | - | 4,609 | 3,037 |
| TOTAL REVENUE, BOND PROCEEDS, CAPITAL LEASE ACQUISITIONS, AND PROCEEDS FROM SALE OF CAPITAL ASSETS | \$ 34,528,854 | \$ 35,599,140 | \$ 36,261,714 | \$ 37,552,817 |

NOTES: (1) Beginning in fiscal year 2004, the State began reporting quality assurance assessment revenue as a tax revenue, rather than as miscellaneous revenue. Amounts for years prior to 2004 are not available.

(2) Beginning in fiscal year 2005, the State began reporting charges for providing vehicle and driving services as revenue from services, rather than licenses and permits. Amounts for years prior to 2005 are not available.

(3) Effective January 1, 2008, the State replaced the single business tax with the Michigan business tax.

(4) Beginning in fiscal year 2011, certain funds previously reported as special revenue funds were reclassified as capital projects funds or subfunds of the General Fund. Prior year amounts have been restated.

Michigan

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------|
| \$ 6,638,110 | \$ 6,552,240 | \$ 6,773,276 | \$ 6,089,106 | \$ 6,176,843 | \$ 6,710,882 | |
| 6,226,304 | 6,442,678 | 7,226,049 | 5,856,753 | 5,531,348 | 6,417,078 | |
| 834,000 | 883,400 | 931,600 | 963,500 | 1,351,500 | 1,271,900 | |
| 1,886,168 | 1,786,213 | 2,482,035 | 2,285,237 | 1,853,557 | 2,098,407 | |
| 1,413,758 | 1,380,375 | 1,377,077 | 1,283,685 | 1,573,667 | 1,548,914 | |
| 2,003,527 | 2,080,977 | 2,079,703 | 2,040,647 | 1,930,480 | 1,845,086 | |
| 297,680 | 237,483 | 169,835 | 125,294 | 121,632 | 123,254 | |
| 1,169,005 | 1,129,226 | 1,073,650 | 1,041,541 | 1,006,527 | 968,512 | |
| 155,184 | 159,109 | 162,104 | 164,068 | 164,071 | 167,487 | |
| 155,461 | 159,363 | 129,684 | 121,363 | 101,816 | 114,017 | |
| 219,538 | 223,754 | 223,198 | 261,002 | 257,511 | 271,257 | |
| 1,926,069 | 1,902,811 | 1,847,540 | 1,806,694 | 1,807,185 | 1,820,367 | |
| 676,923 | 827,776 | 1,023,766 | 859,482 | 840,254 | 882,600 | |
| 140,581 | 158,218 | 160,939 | 150,334 | 137,793 | 139,251 | |
| 450,642 | 440,925 | 409,333 | 293,955 | 315,218 | 307,324 | |
| 24,192,949 | 24,364,549 | 26,069,791 | 23,342,662 | 23,169,402 | 24,686,336 | |
| 11,060,621 | 11,452,444 | 12,283,854 | 16,040,813 | 18,351,960 | 18,972,659 | |
| 105,566 | 117,653 | 114,856 | 102,040 | 89,633 | 85,674 | |
| 93,621 | 102,670 | 115,797 | 135,667 | 123,205 | 155,059 | |
| 269,040 | 283,907 | 290,934 | 288,373 | 300,362 | 320,469 | |
| 419,753 | 427,915 | 435,108 | 450,009 | 452,620 | 448,012 | |
| <u>1,764,227</u> | <u>1,835,865</u> | <u>1,401,128</u> | <u>1,362,184</u> | <u>1,293,772</u> | <u>1,387,068</u> | |
| <u>37,905,776</u> | <u>38,585,002</u> | <u>40,711,468</u> | <u>41,721,749</u> | <u>43,780,955</u> | <u>46,055,277</u> | |
| 234,738 | 18,662 | 26,215 | 144,225 | 60,583 | 211,001 | |
| 34,059 | 20,906 | 110,374 | 41,205 | 39,101 | 171,094 | |
| <u>1,339</u> | <u>2,478</u> | <u>27,381</u> | <u>2,209</u> | <u>1,576</u> | <u>1,742</u> | |
| <u>\$ 38,175,912</u> | <u>\$ 38,627,048</u> | <u>\$ 40,875,439</u> | <u>\$ 41,909,387</u> | <u>\$ 43,882,215</u> | <u>\$ 46,439,114</u> | |

Michigan

SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2011
(In Thousands)

| | 2002 | 2003 | 2004 | 2005 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Current: | | | | |
| General government | \$ 1,541,175 | \$ 1,207,672 | \$ 1,116,072 | \$ 1,303,020 |
| Education | 14,547,772 | 14,624,856 | 14,305,112 | 14,488,870 |
| Human services | 3,791,373 | 3,875,371 | 3,932,475 | 4,122,779 |
| Public safety and corrections | 2,132,401 | 2,112,194 | 2,118,888 | 2,284,674 |
| Conservation, environment, recreation, and agriculture | 618,568 | 571,450 | 568,975 | 597,928 |
| Labor, commerce, and regulatory | 891,817 | 891,644 | 902,903 | 924,876 |
| Health services | 8,891,480 | 9,270,484 | 9,676,268 | 10,126,544 |
| Transportation | 1,165,092 | 1,177,385 | 1,271,492 | 1,195,941 |
| Tax credits | 615,100 | 707,800 | 702,700 | 815,300 |
| Capital outlay | 75,701 | 49,801 | 61,027 | 47,403 |
| Intergovernmental - revenue sharing | 1,517,303 | 1,451,374 | 1,305,146 | 1,112,931 |
| Debt service: | | | | |
| Bond interest and fiscal charges | 1,240 | - | - | - |
| Capital lease payments | <u>51,136</u> | <u>67,564</u> | <u>50,680</u> | <u>49,370</u> |
| Total Expenditures | <u>\$ 35,840,160</u> | <u>\$ 36,007,595</u> | <u>\$ 36,011,739</u> | <u>\$ 37,069,635</u> |

NOTE: Beginning in fiscal year 2011, certain funds previously reported as special revenue funds were reclassified as capital projects funds or subfunds of the General Fund. Prior year amounts have been restated.

Michigan

| <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 1,628,520 | \$ 1,580,973 | \$ 1,546,624 | \$ 1,582,399 | \$ 1,463,926 | \$ 1,856,935 |
| 14,710,682 | 14,572,261 | 15,029,489 | 15,195,462 | 14,995,595 | 15,216,151 |
| 4,341,774 | 4,447,992 | 4,609,481 | 5,334,263 | 6,042,987 | 6,346,672 |
| 2,453,297 | 2,465,362 | 2,614,768 | 2,589,942 | 2,571,390 | 2,547,868 |
| 626,802 | 552,992 | 580,246 | 539,796 | 528,387 | 501,050 |
| 952,921 | 957,023 | 966,091 | 1,145,954 | 1,223,197 | 1,143,962 |
| 9,958,104 | 10,741,285 | 11,588,207 | 12,450,287 | 13,218,598 | 13,905,003 |
| 1,182,924 | 1,183,513 | 1,162,196 | 1,137,584 | 1,154,659 | 1,149,640 |
| 834,000 | 883,400 | 931,600 | 963,500 | 1,351,500 | 1,271,900 |
| 58,365 | 42,290 | 31,978 | 38,429 | 38,136 | 21,659 |
| 1,103,625 | 1,071,104 | 1,076,445 | 1,040,031 | 994,196 | 1,091,527 |
| 174 | - | - | - | - | - |
| <u>49,032</u> | <u>45,997</u> | <u>50,086</u> | <u>49,936</u> | <u>50,811</u> | <u>55,803</u> |
| <u>\$ 37,900,220</u> | <u>\$ 38,544,191</u> | <u>\$ 40,187,211</u> | <u>\$ 42,067,585</u> | <u>\$ 43,633,381</u> | <u>\$ 45,108,168</u> |

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